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TODAY
Tender Gender in Fashion Page 9
STYL

U.S. Warns Serbia After Kosovars Accept Plan

Clinton Sees No Option But Strikes if Belgrade Shows Intransigence

By Brian Knowlton
International Herald Tribune

WASHINGTON — As ethnic Albanians said they were prepared to sign on to a peace plan in Paris, President Bill Clinton said Monday that NATO would have little option but to undertake military action against Serbia if it showed "intransigence and aggression" in the province of Kosovo.

The United States praised the ethnic Albanians after they said they were "ready to sign" a peace agreement. Mr. Clinton said the decision showed that the West had pursued a "successful policy."

U.S. officials remained cautious, however, about the prospects for the new round of Kosovo peace talks in Paris. Secretary of State Madeleine Albright had no immediate plans to leave the talks, aides said, with Serbia continuing to resist demands that it allow foreign peace-keeping troops in Kosovo.

Javier Solana Madariaga, secretary-general of NATO, who met Monday with Mr. Clinton to discuss NATO and its role in the Balkans, told reporters that he was "very, very concerned" about the situation in Kosovo. He said he feared that without an agreement, a "humanitarian catastrophe" might be difficult to avoid.

Mr. Clinton, asked how the North Atlantic Treaty Organization would react if President Slobodan Milosevic of Yugoslavia failed to join the agreement, said:

"If he shows intransigence and aggression, I think that, from my point of view, we would have little option" but to hit Serbian military targets.

In a veiled warning of the turmoil that would follow a NATO attack, Mr. Clinton said that signing the peace accord and allowing peace-keeping troops in Kosovo would be Mr. Milosevic's "best chance to preserve the integrity of Serbia and avoid economic and other adversity."

The decision of the ethnic Albanians, who form a majority in the Serbian province, to sign a peace agreement "tips the focus now entirely on Mr. Milosevic to make a choice between peace and further bloodshed," Mr. Clinton's national security adviser, Samuel Berger, said earlier.

Mr. Clinton conceded that NATO, with its threats of punitive bombings against Serbian targets, was operating in largely uncharted territory. "There's not a lot of precedent," he said, but he insisted that the alliance was determined to "avoid the level of atrocity and death that we saw in Bosnia."

"We wanted to try to dramatically shorten the timetable from aggression and loss of innocent life and upheaval to action," Mr. Clinton said. "And so far, I would say that it seems to have been a successful policy."

Mr. Clinton said the Serbs would have time to consider their response. "We need to give everybody time to assess the current situation," he said, while adding, "Obviously, they can't go on indefinitely."

Questions have been raised about precisely how NATO would react if Mr. Milosevic continued to block a peace plan, whether the alliance has the will to pursue an air campaign, and what its objectives would be.

Earlier, at a breakfast meeting with foreign correspondents, Mr. Solana said that only an agreement allowing NATO to send peace-keeping forces "would guarantee what we want to guarantee — no massacres," as well as a possibility for Kosovo self-government, and containment of the turmoil.

Without an agreement, Mr. Solana added, "I am very pessimistic."

The Western allies, he said, were determined to prevent further atrocities.

NATO bombing attacks in that event, he said, would not be intended to "bomb the Serbs back to the table" but to "damage, and damage seriously," Serbian capacity to inflict violence.

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DUTY-FREE BLUES — A transport worker blowing his horn during a demonstration in Brussels on Monday as EU finance ministers met but declined to give a reprieve to the duty-free business. Page 11.

Sweden Pays the Price of High Taxes

Nation's Corporations and Brains Flee for More Favorable Shores

By Tom Buerkle
International Herald Tribune

STOCKHOLM — Electrolux AB, the big Swedish appliance maker, scoured the globe for a person to set up a new data-processing division last year before finding Stephan Carlquist, a skilled, international people to Sweden," Mr. Carlquist said.

Persuading him to jump to Electrolux was no problem, but bringing him to Sweden, home of the industrial world's highest tax rates, was another

matter. Instead, Mr. Carlquist set up shop in London, where the taxes are lighter, the industry contacts closer and European travel connections easier.

Over the next year, he plans to build a multinational team of as many as 50 people — few of them Swedes.

"It's very hard to attract skilled, international people to Sweden," Mr. Carlquist said.

Welcome to globalization, Swedish-style. In recent months, Sweden's sense of economic security has been jolted by the loss of several corporate bastions,

such as the pharmaceutical company Astra AB, the paper company Stora AB and the car division of Volvo AB, to foreign merger partners.

To some extent, the deals were the inevitable price of success for companies that have outgrown the Swedish market and become global players.

But with the exception of Volvo, the mergers have seen corporate headquarters move to places like Loodoo and Helsinki, taking lots of highly paid jobs

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Panel Condemns Conduct Of European Commission

By Barry James
International Herald Tribune

BRUSSELS — An independent investigating committee issued a damning report Monday on the European Commission, the European Union's executive body, accusing it of mismanagement, favoritism and conduct that was "not acceptable."

"It is becoming difficult to find anyone who has even the slightest sense of responsibility," the inquiry concluded. It also said the commission had lost political control.

Pauline Greca, leader of the 214-member Socialist group in the European Parliament, called the report "devastating and hard-hitting." She said the commission should "accept its responsibility and resign." If it does not do so,

she said, "we will introduce a motion of censure to force it out."

She said the Socialist bloc, the strongest in the Parliament, would not be satisfied with the resignation of individual commissioners.

The president of the commission, Jacques Santer, planned to meet leaders of the parliamentary political groups on Tuesday morning and was expected to announce the commission's response to the report.

Many legislators speculated late Monday that the commission would resign en masse.

"My view is that the commission should resign tonight," said Edward McMillan-Scott, a British Conservative member of the Parliament who has been

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China Rebuffs U.S. On Spying Charges

Beijing Moves To Modernize Atomic Forces

By David E. Sanger
and Erik Eckholm
New York Times Service

Buried deep in the mountains east of Xian, where the Chinese built a terracotta army to protect the remains of the Emperors, lies a far smaller but lethal force: a half dozen or so intercontinental ballistic missiles that could reach the United States.

The missiles near the town of Luoding are hardly sophisticated by modern standards. The Pentagon believes each is equipped with a single warhead, large but not very accurate, intended for hustling cities.

They are mounted atop liquid-fuel rockets that take a full hour of preparation to launch.

In total, China is believed to possess roughly 20 missiles that can reach American shores, and perhaps 300 nuclear weapons that, aboard medium-range missiles or bombers, could hit Japan, India or Russia.

It is a bare-bones arsenal compared with the thousands of warheads still maintained by the United States and Russia. But the question in Washington this week is whether China's nuclear fleet will stay that way 10 or 20 years into the future or become a far more potent arsenal that could rekindle the kind of fears that shaped the Cold War.

The suspicion that China stole the design of America's most advanced minimized warhead — the W-88 — from the Los Alamos National Laboratory more than 10 years ago has prompted anger in Washington, especially in Congress.

On Sunday, President Bill Clinton's national security adviser, Samuel (Sandy) Berger, defended the administration's investigation into the loss, but added, "There's no question that they've benefited from this." The Chinese again vehemently denied the accusations.

Despite continuing evidence of Chinese espionage abroad, most experts doubt that China intends to fundamentally change its largely defensive nuclear strategy or that it will try to alter the imbalance of weapons with the United States.

But many experts outside the U.S. government — including some who have talked at length with Chinese leaders and military officials — say Beijing is clearly seeking to modernize its nuclear forces, with a 10-year plan to make them more accurate, easier to launch and far less vulnerable to attack than they are today. And it is hoping to use high technology to offset its outmoded conventional forces.

What China seeks, they say, is an arsenal large enough to give them global status and deter the potential for nuclear blackmail, but small enough to avoid the

See MISSILES, Page 8

America Can 'Vent Spleen,' Zhu Declares

By John Pomfret
Washington Post Service

BEIJING — Prime Minister Zhu Rongji said Monday that reports in the United States that China pilfered nuclear-weapons secrets were a "tale from the Arabian nights" and declared that his U.S. trip next month would give Americans a chance to "vent their spleen" over the tense state of Washington's ties with Beijing.

In a press conference at the conclusion of the annual meeting of China's rubber-stamp Parliament, the 71-year-old Soviet-trained engineer cited the French philosopher Jean-Jacques Rousseau and Shakespeare, chided U.S. Secretary of State Madeleine Albright about her concern on human rights and poked fun at U.S. fears over alleged North Korean

Chinese are confused by the chill in relations with the U.S. Page 4.

plans to develop nuclear weapons. "All of the advanced weapons are developed by the United States," Mr. Zhu said. "So what are you so afraid of?"

[The CIA announced Monday that it would conduct a damage assessment to determine how much sensitive nuclear weapons information, if any, was lost to China through a suspected spy working at the Los Alamos National Laboratory, The Associated Press reported from Washington.]

Mr. Zhu gripped that his photograph on a recent cover of Business Week made him look like a "corpse." He admitted to almost crying as he watched Chinese soldiers try to block floods this summer with nothing but their bodies. He hit a sensitive chord when he pledged that China would never target its "brothers and sisters" in Taiwan. And he waxed apologetic, stating that his biggest disappointment last year — a difficult year for China — was that "I did not do a good job."

In both tone and content, Mr. Zhu's press conference Monday differed markedly from the unprecedent spectacle last year — his first news conference as China's prime minister.

Then, Mr. Zhu issued a series of bold promises, pledging that in three years China would have a new housing system, a new banking system and a rejuvenated state-owned sector. On Monday, Mr. Zhu was much more tentative about China's economic future. While he scoffed at some Western reports claiming a major crisis was brewing in China, he acknowledged that the Asian economic crisis had affected China more seriously than he had expected.

Citing Shakespeare's "Merchant of Venice," Mr. Zhu asked foreign banks not to demand their "pound of flesh" — or early repayment — of loans taken out by Chinese financial institutions. The bankruptcy of a major Chinese investment house, Guangdong International Trust & Investment Co. in October roiled China's financial markets.

He also pledged that China's telecommunication and banking sectors would be opened further to foreign investment but he did not say when.

See CHINA, Page 8

Cuba Sends 4 To Prison in Political Trial

The Associated Press

HAVANA — Risking international criticism, the government Monday sentenced one of Cuba's best-known dissidents to five years in prison and set lesser terms for his three co-defendants.

The conviction and sentence for Vladimiro Roca, a former military pilot and the son of the late Cuban Communist Party leader Blas Roca, was announced during the midday news.

Mr. Roca's wife, Magaly de Armas, said: "It is wrong, it is unjust," adding, "We are going to appeal immediately."

A five-member tribunal tried Mr. Roca and three others behind closed doors the first week of March.

The court set sentences of four years each for the lawyer Rene Gomez Manzano and the engineer Felix Bonne and three and half years for the economist Martin Bearci Roca.

The four were arrested July 1997 for criticizing a Communist Party document.

They were also accused of encouraging Cubans not to vote in that year's elections, holding two news conferences with foreign media, exhorting foreign businessmen not to invest in Cuba and asking Cuban exiles to encourage their kin on the island to undertake acts of civil disobedience.

AGENDA

Renault's Interest in Nissan Sends Its Shares Up 13%

Shares of Nissan Motor Co. soared 13 percent Monday in Tokyo, but Renault SA's stock fell in late trading in Paris amid indications that the companies were close to an alliance in which Renault would buy a one-third stake in Nissan.

After talks over the weekend with Renault in Paris, Nissan's president, Yoshikazu Hanawa, told the Nihon Keizai newspaper that an accord could be outlined to Renault's board as early as Tuesday.

But Renault cautioned that while it was talking about a deal to buy a stake in Nissan, it had not yet made a firm offer. Page 11.

Alps Jet Charges Are Dropped

CAMP LEJEUNE, North Carolina (Reuters) — The most serious charges were dismissed Monday against a second Marine Corps aviator facing court-martial in the deaths of 20 people killed when a U.S. military jet severed lift cables over an Italian ski resort last year, his defense attorney announced. Captain Joseph Schweitzer, the jet's navigator, will not be tried for involuntary manslaughter and negligent homicide.

"A chaos is now awaiting Turkey," Prime Minister Bulent Ecevit said over the weekend. "This is a totally new situation. We will have to think about it and see what happens."

He was speaking after disgruntled members of Parliament managed to convene an extraordinary session during the pre-election recess to challenge his



STANDING ROOM ONLY — Prince Charles of Britain, surrounded by a welcoming party of local residents, visiting Sea Lion Island off the coast of the Falklands, where he is on tour.

With Salvos From Many Fronts, 'Chaos Awaits' Turkey

By Stephen Kinzer
New York Times Service

leadership. The group of legislators put forth a censure motion Monday in an attempt to overturn Mr. Ecevit's minority government, Reuters reported.

[Kurdish rebels, meanwhile, warned tourists on Monday to keep away from Turkey, declaring vacation spots among the targets in their drive to win freedom for their imprisoned leader, The Associated Press reported from Ankara.]

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Feb. 15 and brought back to Turkey. [Monday's fire-bombing was the latest in a series of attacks in the country. In the deadliest of attacks, 13 people were killed in an arson attack on a department store in Istanbul on Saturday.]

Ocalan is being held at an island prison 35 miles southwest of the capital. He is reportedly cooperating with his interrogators, and according leaked accounts of his purported testimony, has expressed repentence for his group's violent acts.

As Ocalan's admirers seek to decide how to proceed without him, however, at least some have apparently decided to commit acts of urban terror. Such acts have

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THE AMERICAS

Doubts Slow a Plan to Destroy 'Last' Smallpox Viruses

By David Brown
Washington Post Service

WASHINGTON — A plan to destroy the world's last known samples of the smallpox virus is being threatened by a growing suspicion that secret supplies of the virus probably exist, increasing the chances it could fall into the hands of a rogue nation or terrorist group.

If that is the case, some scientists say, stocks of the deadly virus should be kept so they can be used to help develop antiviral drugs and a better vaccine against the disease, which was eradicated from the world in 1978.

That view, however, is not universal. Some people say destruction of the known viral stocks, planned for this year, would actually discourage the use of any pirated ones.

An expert panel convened by the National Academy of Sciences' Institute of Medicine was to offer its opinion Monday on future scientific needs for the virus, which officially exists in only two places — the federal Centers for Disease Control in Atlanta and a laboratory run by the Russian government in Siberia.

The report was requested by the Department of Defense and the Department of Health

and Human Services and is expected to carry substantial weight in a debate within President Bill Clinton's administration over whether to support the World Health Organization's recommendation to incinerate the remaining supply of the smallpox virus June 30.

That plan is to be reviewed in May when representatives of the 190 members of the WHO meet in Geneva.

The date for the destruction of the virus was set by consensus at a similar meeting in 1996. After that, scientists in the United States and Russia were to clone pieces of the virus' genes into harmless samples suitable for research.

Although some researchers argued for keeping the virus indefinitely, the consensus was that doing so would pose risks that far outweighed any scientific insights that might be gained.

Events of the past few years, however, have challenged that view.

"One would have to be ridiculously optimistic to conclude there are now only two locations in the world where smallpox is stored," Amy Smithson, an expert on biological and chemical weapons proliferation at the Henry L. Stimson Center in Wash-

ington, said last week. "And I do mean ridiculously optimistic."

This view is shared, somewhat less emphatically, by advocates of virus destruction, who until recently doubted there were secret stocks of smallpox.

"I think there's more in Russia than in the one center," said Donald Henderson, the American physician who led the global smallpox-eradication effort from 1966 to 1977.

"There's no question about that."

Recent revelations that the Soviet Union made industrial quantities of smallpox for years after it signed a 1972 treaty prohibiting such work has undercut Russian credibility.

"I think the likelihood that the Russians destroyed everything except what they had in the WHO laboratory is very small," said Frank Fenner, an Australian physician, now 84, who headed the global commission that "certified" the world as smallpox-free in 1980.

"If we are serious about bio-defense, the stocks are necessary for developing an antiviral drug, and possibly necessary for developing a vaccine more suitable for the general population than the current one," said Alan Zelikoff, a scientist at Sandia National

Laboratories in New Mexico and a consultant to the Defense Department.

Proponents of destruction argue that the essential scientific work can be done without live samples of the virus and that its destruction would make a moral statement about its use that even terrorists could not ignore.

If smallpox were to reappear, Mr. Fenner said, "it couldn't be the result of untoward escape from a laboratory." He added: "It would have to be from deliberate use. That could then be condemned as a horrendous crime against humanity."

Introducing a disease that the world with great effort had freed itself from.

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POLITICAL NOTES

Chafee Declines to Run Again

PROVIDENCE, Rhode Island — Senator John Chafee, 76, an influential moderate Republican first elected in 1976, announced Monday that he would retire next year, declining to seek a fifth term. He becomes the second Republican senator to announce that he will not seek re-election.

"It's time to try something else," Mr. Chafee said at a news conference at the Rhode Island State House, where he was flanked by family members. His voice broke when he said: "I want to come home."

A scion of one of Rhode Island's most powerful families, Mr. Chafee is perhaps the most popular Republican in state history. He is the senior member in a dwindling group of Republican moderates, working to forge compromises in divisive areas such as health care and child care. And as chairman of the Environment and Public Works Committee, he is a key voice for environmental protection.

The Republican Party could end up losing Mr. Chafee's seat in next year's election. Rhode Island is predominantly Democrat, and at the moment the state party does not have a strong candidate for the job. (AP)

Gephardt Endorses Gore

WASHINGTON — Vice President Al Gore, kicking off the first official political trip of his 2000 campaign, secured the endorsement Monday of Richard Gephardt, the House minority leader.

A spokeswoman for Mr. Gephardt, Laura Nichols, said the Missouri congressman assured Mr. Gore in mid-February of his support.

Mr. Gephardt and his staff were with the vice president on board Air Force Two on Monday morning en route to New Hampshire and Iowa, where they hope to energize supporters. The two also will appear in St. Louis, Mr. Gephardt's hometown.

While at least 10 Republicans have shown signs of running to become their party's standard-bearer, Mr. Gore's status as the Democratic front-runner so far has scared off all but one major challenger, former Senator Bill Bradley of New Jersey. (AP, Reuters)

McCain Attacks Foreign Policy

WASHINGTON — Senator John McCain said Monday that the Clinton administration's inability to develop a foreign policy worthy of the world's only superpower has endangered national security and left the United States more vulnerable to aggression from China.

In the first major foreign policy speech of his emerging campaign for the White House, Mr. McCain, Republican of Arizona, also lambasted the administration for a lack of long-term strategy in dealing with North Korea, Iraq and the recurring violence in the former Yugoslavia.

President Bill Clinton's tendency has been to "put off resolution of the most difficult problems, often substituting photo-op diplomacy for meaningful action," said Mr. McCain, a member of the Senate Armed Services Committee and a decorated Vietnam War veteran.

"Often evident in administration policies is a mystifying uncertainty about how to act in a world where we are the only superpower," Mr. McCain said in a speech prepared for delivery at Kansas State University in Manhattan, Kansas. And in engaging China, he contended, the administration has "left the United States more vulnerable to a ballistic missile attack." (AP)

U.S. Troops Should Quit Haiti, Commander Says

By Douglas Farah
Washington Post Service

WASHINGTON — The commander of U.S. troops in Latin America has recommended that the United States end its five-year military presence in Haiti, arguing that American forces have not been able to create stability in the volatile nation and are now at risk.

General Charles Wilhelm, commander of the U.S. Southern Command, made the comments in testimony to a closed session of the defense subcommittee of the House Appropriations Committee on Feb. 25.

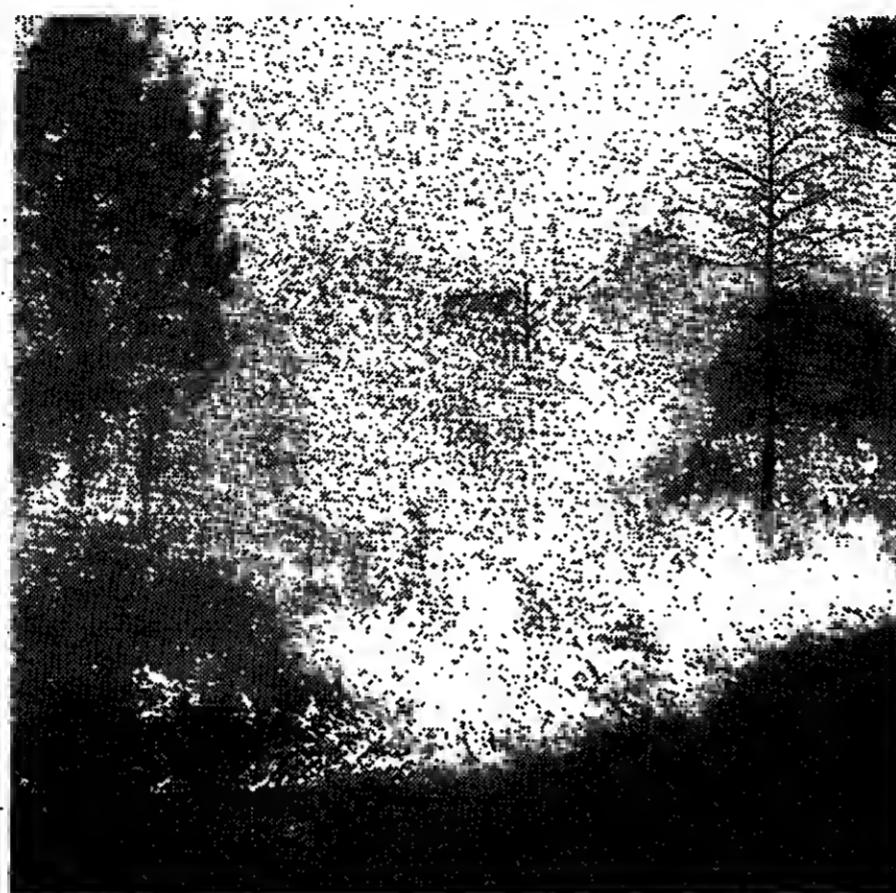
General Wilhelm's bleak assessment of the political and security situation in Haiti and his advice that the United States "terminate" its presence there and rely instead on periodic visits by U.S. troops came as the Clinton administration's Haiti policy was coming under increasing fire in Congress as well.

In that regard, his comments marked a significant challenge to a policy that administration officials have cited as a model for the use of U.S. military forces to help resolve instability and ethnic conflict in the post-Cold War world.

In September 1994, President Bill Clinton's administration deployed 20,000 troops to Haiti to restore the democratically elected government of Jean-Bertrand Aristide. The U.S. troops participated in peacekeeping efforts and helped oversee the disbanding of security forces blamed for political killings, torture and illegal detentions.

Although the Clinton administration has often hailed the Haiti mission as a success, political bickering in Port-au-Prince, the capital, has paralyzed the government of Mr. Aristide's successor, René Preval. Political assassinations in recent weeks have highlighted the impoverished nation's inability to overcome its habitual polarization and fragmentation.

While most of the troops withdrew after a year, about 500 American soldiers — mostly Army reservists rotating through on short-term assignments — remain in Haiti.



HAZE OVER THE SUNSHINE STATE — Brush fire threatening a house in Golden Gate, Florida. Two quick-moving fires endangered 200 buildings, forcing residents out and shut a section of Interstate 75 across the Everglades known as "Alligator Alley" before rain and 600 firefighters doused them.

AMERICAN TOPICS

Not Just Blowing Smoke, Farmers Want Legal Hemp

In colonial America, the hemp plant was used to make soap, rope, paper and cloth. Drafts of the Declaration of Independence were written on hemp-fiber paper. Thomas Jefferson cultivated hemp.

But the anti-marijuana backlash of the 1930s, fueled in part by movies like "Reefer Madness," led to bans on the weedy plant, a nonpsychoactive relative of marijuana. Today, reports U.S. News & World Report, U.S. farmers are lobbying for an end to the ban.

The pro-hemp push gained steam last summer and fall when farmers in North Dakota, whose wheat and barley crops had been hit by flood and disease, reported paltry profits of \$25 an acre — even as their cross-border counterparts were earning \$225 an acre in Canada's first legal hemp harvest since the 1930s.

Industrial hemp contains negligible amounts of the mind-altering chemical THC, and it is versatile and environmentally friendly, say its promoters.

Virginia has endorsed controlled

cultivation; similar action is pending in 11 other states.

To the fears that legalized hemp cultivation would make it easier to hide marijuana plants, hemp defenders say the opposite is true: Cross-pollination would lower marijuana's potency. The government, they add, could save millions of dollars a year now spent needlessly eradicating wild hemp.

Short Takes

Despite opposition from Louisville officials, the Kentucky Derby Festival is proceeding with plans for a fireworks and air show April 17 that will include a re-enactment of the bombing of Pearl Harbor by replicas of Japanese aircraft.

All 12 city aldermen criticized the planned simulation in a letter to the festival president. Officials of the world-famous horse race, however, said the re-enactment was intended not to glorify war "but to honor those who have sacrificed so much for freedom."

Dope on Dogs: There are 58 million dogs in the United States, according to Governing magazine.

Twenty-eight million dog owners say they buy Christmas gifts for their dogs each year. Nearly 10 million celebrate their dogs' birthdays; 17 percent say they keep a picture of their pet in their purse or wallet. More than 6 million say that they are as attached to their

dogs as they are to their children.

In today's *lo-your-face* world, the people of rural western Maryland are apparently just too nice.

Unitel Corp., which helps businesses sell things over the telephone, is moving about 100 jobs from Frostburg, Maryland, to Florida in hopes of finding more aggressive salespeople.

"The culture and the climate in western Maryland is one of helping your neighbor and being empathetic," said a Unitel vice president, Ken Carmichael.

This, Mr. Carmichael implied, is not something telemarketers want.

Frostburg has lost thousands of manufacturing and coal mining jobs over the years, but Mayor John Bumbaus is taking the loss of Unitel in stride.

"We would rather be nice than aggressive," the mayor said. "Frostburg is not the Bronx."

Some grade-school students just complain about the lunchroom food. Ryan Rose of Alcoa, Tennessee, got a lawyer. "Me and my friends got mad," said Ryan, 10, so he contacted Monte Walton, a Knoxville lawyer, who is charging Ryan \$1, a bit of a discount over his usual fees.

The attorney drew up a petition, hinting that he would seek an amicable solution. It might involve adding hamburgers to the menu.

Brian Knowlton

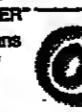
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Solutions to Puzzle of March 15

FLORIDA AMAS BARB
ANGIOIDE MORK OBIE
THREEMILE ISLAND
GRIIN AINDANTE
AUE TROY ARBOR
TEETEN ASTOUND
RAYDVAC LES
FOURINCHHEELS
GHO NURSERY
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ASIA/PACIFIC

Beijing Confused as U.S. Relations Go Sour and Key Assumptions FailBy John Pomfret
Washington Post Service

BEIJING — In mid-December, within the garish confines of the Media Hotel in Beijing, scores of Chinese experts and officials involved in relations with the United States gathered to celebrate 20 years of formalized relations between China's Communist government and Washington.

The mood was self-congratulatory, recalled one participant, as the dignitaries toasted themselves on the successful completion of two summit meetings with President Bill Clinton, what many called a new understanding on Taiwan and the sense that U.S.-China ties had entered a "new era."

Three months later, souring over between the world's most populous country and the sole superpower have silenced China's buoyant mood.

American accusations that Chinese spied on U.S. nuclear-weapons designs in the late 1980s, a recent 90-Senate vote against China's human rights record, talk in Washington about

providing Taiwan access to U.S. missile-defense technology and increasingly cozy military ties between the United States and Japan have left Chinese officials saying they were blindsided by a new chill in Beijing's relations with Washington.

"We really didn't expect this was going to happen," said a senior Chinese government adviser who has watched the recent setbacks with alarm. "Many of us don't know what to do."

NEWS ANALYSIS

The sudden decline of U.S.-China relations is not the only unsettling development that has taken China's leadership by surprise. Challenges to some of China's core assumptions about its security have arisen in the past year, involving not only the United States but also North Korea and the newly nuclear-armed nations of India and Pakistan.

Several other elements figure in what Beijing views as a new and confusing international environment:

•Continued U.S. economic growth has ob-

iterated a key Chinese assumption that the United States is in decline. This, coupled with China's faltering economy, has challenged a basic Beijing tenet: Ultimately, the Chinese economy will surpass that of the United States, and Beijing will replace Washington as Asia's main power broker.

Indeed, the U.S. economy grew 6.1 percent in the last quarter of 1998, arguably faster than China's. U.S. gross domestic product stood at \$8.5 trillion in 1998. China's was about \$1 trillion.

•China signed the 1996 Nuclear Test Ban Treaty with the assumption that its strategic circumstances would remain relatively stable and improve over time.

Nuclear weapons tests by India and Pakistan last spring, however, ended China's reign as the lone nuclear power in Asia. They also forced strategists in the Chinese army and government to refocus attention on China's southwestern flank — an unwelcome diversion from Beijing's main task, which is reunifying with Taiwan.

China also assumed that the deep cuts in the

Russian and American nuclear arsenals, as envisioned in the START-2 strategic arms limitation accord, would reduce its need to build up its nuclear forces. But the treaty's recent collapse "trashed all that," said Bates Gill, a China security expert at the Brookings Institution.

•The Aug. 31 firing of a North Korean rocket over Japan galvanized opinion there and in the United States about the necessity of closer military ties — including development of a regional missile defense system known as theater missile defense. The three-stage rocket also showed the Chinese assumption that it would not have to choose between helping to bolster North Korea as a friendly buffer state or alienating South Korea, Japan and the United States.

Indeed, China has very hard choices to face in its relations with Pyongyang. The two countries are celebrating 50 years of close ties, and Chinese officials say they expect a senior North Korean official will visit China this year.

It is too early to tell whether these reversals of China's assumptions and its rockier ties with the

United States will cause Beijing to adopt a more aggressive stance in Asia. Nonetheless, when China has felt cornered it has rarely played a tentative hand. Western officials say, and in recent weeks it has been talking and acting tough.

It has criticized the United States and Japan for considering development of a missile defense system for both the United States and Asia. It has warned the United States to end its sales of high-tech weapons, especially missile-defense systems, to Taiwan, saying it would be the "last straw" in U.S.-China relations.

China has also responded by seeking support from Russia, which shares China's concerns about both theater missile defense and military ties between Washington and Tokyo.

Some Western officials have predicted that if China continues to feel threatened, it will move further toward Moscow.

At root, the clash between Washington's and Beijing's viewpoints is a traditional one — between an entrenched power, the United States, and a resurgent one, China.

Fear Grows in East Timor As Area Weighs Its FutureBy Michael Richardson
International Herald Tribune

SINGAPORE — When United Nations officials arrive in East Timor later this week to start preparations for a ballot on whether the disputed territory should have autonomy within Indonesia

BRIEFLY

Afghan Talks End

ASHGABAT, Turkmenistan — Afghanistan's warring factions prepared to fly home from peace talks Monday after forgoing a power-sharing agreement intended to end two decades of conflict. Mohammed Younus Qanouji, head of the opposition delegation in the negotiations in Ashgabat, reiterated his optimism that the deal reached Sunday, though lacking in detail, was a major step toward ending the warfare that has devastated Afghanistan.

"The agreement represents a new era in the history of Afghanistan," he said.

Wakil Ahmed Mutawakil, leader of the negotiating delegation from the Taliban, which rules 90 percent of Afghanistan, was slightly more cautious but also said the deal represented significant progress. "We are hopeful of a lasting peace, because we both share good intentions," he said. (Reuters)

Anwar Defense Rests

KUALA LUMPUR — Anwar Ibrahim, the ousted finance minister, said Monday that he expected to be sent to jail, as his defense closed its case in his corruption trial that has exposed divisions in Malaysia's ruling coalition.

Asked how long he thought he would spend in jail after the now four-month-old trial, Mr. Anwar said, "Two years, four years, it makes no difference."

Mr. Anwar's lawyers said they expected a verdict in early April after submissions by the defense and the prosecution next week. (Reuters)

19 Hurt on Korean Jet

SEOUL — A Korean Air Lines jet skidded off a runway in the southeastern city of Pohang on Monday, injuring 19. The MD-83 jet, carrying 156 passengers and crew from Seoul, cracked its fuselage after sliding into an embankment by the runway on its second attempt at landing in stormy weather, a spokesman said.

One of the injured had a fractured spine, he said.

"We have confirmed 10 passengers with spinal fractures and nine others with back sprains and other light injuries, but luckily there were no deaths," the spokesman said. (Reuters)



Indonesian troops stopping a high school student who was found carrying knives and arrows on the outskirts of Ambon on Monday.

Military Warns Ambon Foes To Turn Over Their Weapons

Compiled by Our Staff From Dispatches

AMBON, Indonesia — The Indonesian military Monday stepped up a drive to disarm civilians in an effort to end the Muslim-Christian riots that have devastated this city.

Authorities said those resisting disarmament would be dealt with harshly. "If they do not want to, we will act firmly in the form of shooting on the spot — whether to paralyze or to kill," said Colonel Karel Robert Ralahau, the head of the armed forces in Maluku Province. He said the military also would set up centers to take weapons surrendered voluntarily.

The military has put up roadblocks to search passers-by and vehicles for weapons. Two high-school students were arrested Monday for carrying knives. On Saturday, 37 people were found carrying weapons that included cutlasses, knives, spears, arrows and gasoline bombs.

Two helicopters patrolled the sky over Ambon on Monday, and soldiers were on standby. Large banners exhorting an end to the conflicts hung above downtown streets.

Public transportation was running again Monday; the discovery of a body late Saturday had stopped service. Pedicabs, absent since last month, also began to reappear. Several shops and businesses reopened, and classes resumed, although some students and teachers stayed away.

Sectarian clashes have rocked Ambon and other areas of Maluku Province since mid-January, leaving more than 200 people dead.

The Indonesian military took over riot control in Ambon late Wednesday. In Jakarta, Indonesia's armed forces chief, General Wiranto, said that the military was considering reactivating commands that had been scrapped in the 1980s. (AP, Reuters)

planning to ask Indonesia to withdraw its soldiers from East Timor, although it would insist that they provide security ahead of the vote in a fair way.

"We will be vigilant to ensure that there is no hanky-panky and that the kind of security we are looking for is assured by the authorities," he said. "They have given us indications that they will work very closely with us on that."

He added that it was not realistic to expect that the Indonesian Army or any militia groups could be disarmed before the vote.

Jose Ramos-Horta, the Nobel Peace Prize laureate, said that the UN-supervised vote would be meaningless unless Indonesian forces withdrew and stopped arming the militia, and unless a UN force

was sent in to monitor the ballot to prevent intimidation.

He said that the UN should also carry out a census and voter registration. The territory is thought to have a population of about 800,000.

"We do not want the 200,000 Indonesian migrants in East Timor, the Indonesian civil servants and their families all voting on the future of East Timor," Mr. Ramos-Horta said. "The UN, not the Indonesian military, must guarantee that there is no coercion, no threats, no terror against the East Timorese."

In a fair and fair vote, he added, "well over 90 percent" of the East Timorese would favor independence over autonomy.

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Terror Against the Poorest Indian Landowners Murder to Keep Caste DownBy Celia W. Dugger
New York Times Service

SHANKER BIGHA, India — This hamlet on the edge of a lush, palm-fringed field lay quiet on the moonlit night of Jan. 25. But as the villagers slept, more than 50 upper-caste men, members of an outlawed landowners' army, crept toward them through rustling spear of wheat.

The men fanned out in the dirt lanes, flinging open the doors of mud huts and shouting: "Kill them! Kill them!" Guns blazing, they massacred 22 people in just a few minutes, among them a 3-year-old boy and his baby sister who were crying as they huddled in their grandmother's arms.

This massacre of farm workers and their families — untouchables at the bottom of Hinduism's hierarchical social order — was numbingly similar to dozens of others committed over nearly three decades in the eastern state of Bihar.

The state is blessed by mineral wealth and fertile soil but cursed by the nation's highest rates of illiteracy and poverty. Almost nine out of 10 of the state's 100 million people live in the countryside, and more than half are very poor. The untouchables, who make up 14 percent of the population, are the poorest of the poor.

Bihar is now in the midst of an upheaval that has seen the middle castes depose the upper castes from the seats of political power. The untouchables — now called dalits, which means ground down in Hindi — have not yet gained an independent political voice; but they have begun grass-roots organizing.

And as they have banded together under various leftist banners to agitate, sometimes violently, for higher wages, a share of land and an end to the social exploitation of dalit women and other humiliations, both middle- and upper-caste landowners have struck back with terror tactics.

"In the American South after the Civil War, the lynchings of blacks were aimed at curbing their uppityness," said Ashutosh Varsney, a political scientist at Columbia University. "India never had slavery, but the dalits are as close to slavery as you can get. The massacres are aimed at checking their uppityness."

Successive governments, dominated by the upper and middle castes, have failed since the 1970s to stop the caste or to address the harsh social and economic inequalities between the landed and the landless that persist in Bihar and in most of north India.

The bloodletting here in Shanker Bigha and another massacre of 12 untouchables set off a crisis that rocked the state's political establishment, humbled the national governing coalition and, for a time, riveted public attention on the violence that has raged

here like an intermittent fever.

The Bharatiya Janata Party, which espouses Hindu nationalism, draws most of its support in Bihar from the upper castes and leads the national coalition government. It maintained that the massacres justified its dismissal of the middle-caste state government, widely seen as corrupt and inefficient.

But even after central rule was imposed last month, the violence continued. Renalizing for the massacres of untouchables, a squad of leftist militants gunned down seven people on Feb. 14, apparently for no reason except their upper-caste status, human rights workers said.

Four more upper-caste men were slain on March 2.

Police say they arrested 47 members of the landowners' militia, the Ranvir Sena, for involvement in the two massacres, as well as dozens of members of leftist groups. Human rights groups say the police, dominated by upper castes, have been in the past cracked down much harder on the leftists than on the landowners' armies.

On March 8, the central government, unable to get its takeover of Bihar ratified in Parliament, took the humiliating step of reinstating the dismissed state officials.

While political intrigues have swirled in New Delhi and the state capital of Patna, the mourning has continued in Shanker Bigha, an isolated hamlet of 300 to 400 dalits.

The village has no electricity, no phone, no school, no clock, no car, no scooter and no health clinic. The villagers are illiterate, and their children go to work in the fields at a young age. When asked how old they are, the men and women, their faces weathered and prematurely aged, look blank. They do not know their age.

There seems to be no reason why Shanker Bigha was singled out for attack, other than its identity as a dalit settlement. The police and the villagers say there was no dispute between the landowners and the farm workers who labor in the fields for 50 cents a day, less than the widely ignored state minimum wage of almost \$1 a day.

None of the leftist groups organizing dalit farm workers in central Bihar had ever visited the hamlet before the massacre, though they have come since. Most of the villagers said they have never voted. The survivors of the massacre say they recognized some of the killers as familiar residents of Dhoi Bigha, an upper-caste village within plain sight of Shanker Bigha.

Dhoi Bigha is filled with sturdy brick houses inhabited by landowners from the Bhumihar caste, which makes up 3 percent of the state's population. By Western standards, Dhoi Bigha's residents are far from wealthy. Bhumihar landowners in central Bihar own from two to 50 acres of land. But by Bihar's standards, they are the rural elite.

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EUROPE

Human Rights Lawyer Dies in Ulster Car-Bombing



Matthew Power/The Associated Press
Rosemary Nelson, a lawyer who died Monday in an Ulster bombing.

Compiled by Our Staff From Dispatches

BELFAST — One of Northern Ireland's best-known Roman Catholic human-rights lawyers was killed by a car bomb on Monday, casting a pall over peace efforts in the British province.

The lawyer, Rosemary Nelson, 40, who had defended Irish republicans in several high-profile court cases, died in a nearby hospital two hours after the bomb blew apart her silver BMW in Lurgan, about 30 miles (45 kilometers) southwest of Belfast.

The force of the blast, which occurred just yards from the school where her 8-year-old daughter was on a lunch break, had taken off both of her legs and caused extensive injuries to her abdomen, authorities said. She died at Craigavon Hospital with her husband at her side.

Prime Minister Tony Blair of Britain condemned the killing as a "disgusting act of barbarity." He said in a statement

issued in London, "No effort will be spared in hunting down" those responsible for "this senseless and despicable act of murder." He said, "The sole aim of this murder is to remove any chance of reconciliation."

Mrs. Nelson had been in the public eye for several years as the legal representative of the Garvagh Road residents' coalition in nearby Portadown in its long-running and often violent stand-off against the Orange Order, a Protestant group that had insisted on its right to march down the road last July.

Among her other clients were a man accused of killing two policemen and the family of a Catholic man beaten to death by Protestants in Portadown in 1997.

The police said no warning was given for the attack on her, and that no one had claimed responsibility.

The Irish Republican Army's political wing, Sinn Fein, which condemned the

attack, claimed that Mrs. Nelson had been threatened in the past by elements of the Northern Irish police force, the Royal Ulster Constabulary.

A Reuters photographer saw a crowd of protesters smash security cameras at Lurgan's main police station after the killing. They marched with banners reading, "Disband the RUC."

Detective Superintendent Sam Kincaid, in a statement, denounced the "cold-blooded and brutal murder of a well-known solicitor who was also a wife and mother."

The Irish foreign minister, David Andrews, said the car bomb was "very clearly designed to sabotage the peace process at this very critical time."

Rosemary Nelson's murderers clearly have no interest in the peaceful future which the people of Ireland, north and south, voted for so overwhelmingly," Mr. Andrews said in a statement.

Northern Ireland's peace deal was signed last April 10 and subsequently approved in twin plebiscites in the British-ruled province and the Irish Republic. Britain has set the week of March 29 as a final deadline for a transfer of some rights from London to Belfast but politicians are deadlocked over the pace of guerrilla disarmament. (Reuters, AP)

■ U.S. Condemns Bombing

The White House on Monday condemned the car-bombing as a "despicable and cowardly act" and called for an end to the bloodshed. Reuters reported from Washington.

"The killing today of Rosemary Nelson, a leading human rights lawyer in Northern Ireland, was a despicable and cowardly act by the enemies of peace," said the White House spokesman, Joe Lockhart. "Our deepest sympathies go out to her friends and family."

BRIEFLY

Dutch Confirm Toll From Rare Disease

AMSTERDAM — An outbreak of Legionnaires' disease at a flower show last month may have killed as many as nine people, the Dutch health minister, Els Borst, said Monday.

Four of the dead have been confirmed as victims of the pneumonia-like illness. Autopsies were being carried out on the remaining five to establish whether they, too, died of the rare disease.

As the Health Ministry announced the rising toll, efforts continued to trace visitors to the flower show in Bovenkarspel, north of Amsterdam, and to establish the exact source of the outbreak. (AP)

Woman Takes Over Norway's Defense

OSLO — Elsbjørg Loewer became Norway's first female defense minister on Monday.

Prime Minister Kjell Magne Bondevik named Loewer, 56, as part of a reshuffle of his centrist cabinet that also covered the transport, justice, labor and oil ministries.

"I've run male-dominated work places most of my life," Ms. Loewer told reporters in her new office. She was formerly labor minister in Mr. Bondevik's cabinet, formed in October 1997. (Reuters)

Agriculture Aide Resigns in Poland

WARSAW — Poland's agriculture minister, who was the focus of nationwide demonstrations by farmers angered over sinking prices, resigned Monday after losing key political backing.

Jacek Janiszewski, 38, a member of the senior partner in the Solidarity coalition government, handed in his resignation during a meeting with Prime Minister Jerzy Buzek, the PAP news agency and Telexpress TV crews reported.

Mr. Janiszewski had been expected to lose the post under a cabinet restructuring already under way and due to be completed by April 1. During the weekend, the Conservative Peasant Party withdrew its' backing for him. (AP)

For the Record

Two boys, Jon Venables and Robert Thompson, convicted of murdering the toddler James Bulger in a case that shocked Britain six years ago, were told Monday that they can take their case before the European Court of Human Rights. (AP)



EARLY SPRING IN RUSSIA — Two boys floating on blocks of ice near the Pacific city of Vladivostok.

Britain Arrests Islamic Cleric Sought by Yemen

Compiled by Our Staff From Dispatches

LONDON — An Islamic fundamentalist leader whose son has been charged with plotting terrorist activities in Yemen was arrested Monday in London, the police said.

The fundamentalist leader, Sheikh Abu Hamza Mazy, who preaches at a London mosque, was detained under Britain's anti-terrorism act, Scotland Yard said. He was arrested in a series of raids along with two other men, whose identities the police would not disclose.

Under the anti-terrorism act, the men can be questioned for 48 hours. They can be held for five more days without being charged if Home Secretary Jack Straw gives his approval. Scotland Yard said the raids had been

planned for some time and were part of an investigation, but it declined to provide more details.

Yemeni officials, who requested Sheikh Abu Hamza's arrest and extradition in January, had said he was linked to terrorist activities in their nation. He has denied the allegations.

His son, Mohammed Mustafa Kamel, is among 10 British and French citizens being tried in Yemen on charges of associating with armed groups, plotting "murder and destruction" and possessing weapons. The authorities said that last month Mr. Kamel confessed to forming an armed group in Yemen but denied the weapons charges. All the other defendants have denied the charges.

Sheikh Abu Hamza's Islamic group,

Supporters of Shariah, called on police to release him. "He is a scholar and he gives his Islamic views," said Haroon Rasheed, a spokesman. "He has done no terrorist activities here."

A group representing British Muslims, the Muslim Parliament of Great Britain, urged that he be given "due process of law" during his arrest.

Despite what it called the sheikh's "exaggerated and irresponsible" statements in the last few months, the group said no evidence had been produced to substantiate his involvement in acts of violence or terrorism.

Sheikh Abu Hamza, who was born in Egypt, has been vocal in encouraging Muslims worldwide to fight for a more Islamic way of life. (AP, Reuters)

TURKEY: With a National Election Approaching, Prime Minister Warns of Chaos

Continued from Page 1

been rare in Turkey's western cities, which lie far from the southeastern provinces where the Kurdish war is being fought.

But the bombing Saturday was the third fatal terrorist attack this month. A Maoist faction killed three people, including a 14-year-old girl, in a car bombing that was directed at a provincial governor near Ankara on March 5. The police arrested one person, and information he provided led to a house that contained an arsenal of guns and bombs. Last week, two bombs exploded in Istanbul, one of them killed a taxi driver.

The Turkish authorities have announced that they will try Ocalan, probably within the next few months. He has been charged with treason, which can carry the death penalty, and may also be charged with responsibility for a series of fatal attacks launched by his guerrilla fighters.

"There's a disturbing combination of things happening at the same time," said a foreign diplomat posted in Istanbul. "They leaders appealed for unity and calm Monday. They want to paper over emotional disputes ahead of a key party congress April 12, when delegates are expected to confirm Mr. Schroeder as party chairman to replace Mr. Lafontaine. But Monday's uproar served as a reminder that Mr. Schroeder, who cultivates ties to big business, remains unpopular among traditional socialists and many party functionaries.

A strategist in Mr. Schroeder's party said: "Schroeder will need strong nerves: Before the opposition shot at Lafontaine, Now they will shoot directly at Schroeder."

Significantly, the party's left wing promised resistance to further changes in the tax bill. Tax policy in this high-tax nation has become the benchmark of whether the government will move toward the political center after the departure of Mr. Lafontaine.

Michael Tischow, the chief executive of Electrolux, warned of a "creeping exodus" unless the government signaled the start of major tax cuts in a special budget next month.

"All the entrepreneurial people are moving outside Sweden, and they won't come back," warned Franco Fedeli, the chief executive of Icon Mediabab, an Internet services company.

"In this new economy, you can work anywhere you want. That's why it's important to get taxes down."

After taking advice from a business-labor panel that included Mr. Fedeli and Mr. Tischow, the Social Democratic government has signaled that the April budget will include some tax changes.

But Prime Minister Goran Persson played down the need for radical reform, saying the country's 3.2 percent growth rate last year, a virtual absence of inflation and the government's rising budget surplus were indicators of robust economic health.

"It's rather strange to hear that we have a bad business climate," Mr.

"You've got a potentially very important election coming up, Parliament is in upheaval, and now this rash of bombings. If the attacks spread to tourist areas, the problem is going to become economic as well as political. All in all it's quite a messy moment."

The legislators who convened the extraordinary session of Parliament are angry that their party leaders have dropped them from lists of candidates for re-election. They want the April 18 election postponed and are supported by one party that is afraid it will fail to win the 10 percent of votes necessary to enter Parliament if the vote is held next month.

Parliament was to meet again Tuesday and may take up the issue of election postponement. Some deputies from the Islamic-oriented Virtue Party also supported convening Parliament during the recess. They do not care when the election is held, but want to repeat a law that allows parties to be banned if they are deemed to be challenging the secular nature of the republic.

They also seek to overturn a court

ruling under which Necmettin Erbakan, a former prime minister, was found to be introducing religion into politics and forbidden to run for Parliament or participate in politics for the next five years.

■ State of War in Tourist Areas

A statement from the Kurdistan Workers Party said Turkey's vacation resorts, which attract millions of tourists, were included in areas deemed to be in a "state of war." The Associated Press reported.

"It has been decided to escalate the war against the Turkish state in every field until President Apc is provided with his freedom," the statement said, referring to Mr. Ocalan by his nickname. "Turkey as a whole is a war zone at the moment, including those areas considered by Turkey as tourist sites."

"It is essential that no tourist comes to Turkey, that governments warn their citizens and that travel companies cancel reservations," said the statement, carried by the Germany-based pro-Kurdish news agency DEM.

Germans are among the biggest group

of foreigners who vacation in Turkey, and the German Foreign Ministry on Monday issued a travel advisory that said, "The recent threats from Kurdish circles close to the PKK against tourist targets in Turkey must be taken seriously."

The ministry added that clashes between Turkish forces and Kurds in the mountains near Antalya, a favorite sea-side destination of Germans, could not be ruled out.

But Turkey's tourism minister, Ahmet Tan, criticized the German warning. "No country is 100 percent safe," Mr. Tan said. "By issuing warnings, countries like Germany are trying to save themselves from any responsibility for their citizens."

Turkey's Aegean and Mediterranean coasts usually draw some 9 million foreign visitors a year. Travel agents complained of a slow start to the season because of the recent violence.

The rebels have long tried to scare foreign visitors away to hurt government coffers that they say help finance the military crackdown against them.

SWEDEN: The Nation's Corporations and Brains Flee for More Favorable Shores

Continued from Page 1

and support services with them.

If that was not bad enough, the experience of Mr. Carrique and the flight of a number of home-grown technology specialists and entrepreneurs has set off talk of a brain drain, suggesting that Sweden no longer attracts or keeps the kind of talent on which its future prosperity depends.

Michael Tischow, the chief executive of Electrolux, warned of a "creeping exodus" unless the government signaled the start of major tax cuts in a special budget next month.

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After taking advice from a business-labor panel that included Mr. Fedeli and Mr. Tischow, the Social Democratic government has signaled that the April budget will include some tax changes.

But Prime Minister Goran Persson played down the need for radical reform, saying the country's 3.2 percent growth rate last year, a virtual absence of inflation and the government's rising budget surplus were indicators of robust economic health.

"It's rather strange to hear that we have a bad business climate," Mr.

Person said in an interview. "Of course it isn't true. If it was true, we couldn't have all these good figures."

Mr. Person acknowledged that globalization was hitting Sweden particularly hard because of the high proportion of multinational companies here, like Electrolux, ABB and Ericsson AB, which is moving its European headquarters to London. But he welcomed foreign investment, calling Ford Motor Co.'s \$6 billion purchase of Volvo Cars "a sign of belief in Volvo."

Mr. Person also dismissed the idea of a brain drain, insisting that while more Swedes were going abroad to gain experience these days, most would come back, a view that many in business dispute.

Mr. Person said he was keen to cut taxes after having raised them as finance minister earlier this decade to close a huge budget deficit. But rather than promise immediate reductions, he said the government would use growing budget surpluses projected for the year 2000 and beyond to cut taxes and make "improvements in the social sector."

While business is eager to see the repeal of a 5 percent surtax on workers earning more than \$24,400 kronor (\$3,977) a month, Mr. Person said reductions were likely to be spread across the board rather than aimed at high earners. He also said the government would not necessarily abolish the double taxation of corporate dividends, a cost that prompted Stora and Nordbanken

AB to move headquarters to Helsinki when they merged with Finnish partners.

For many business and political leaders of the center-right, the hints fall far short of what is needed, reflecting the Social Democratic Party's resistance to change and dependence on the support of the former Communists and the Green Party.

They argue that Sweden's overall tax burden of 54 percent of gross domestic product is stifling growth, and warn that unless taxes and welfare payments are cut significantly, more individuals and companies are likely to flee.

"It's a dangerous illusion to think you can cut taxes without cutting expenditure," said Carl Bildt, the leader of the Moderate Party.

Of course taxes are not Sweden's only competitive disadvantage. The country's remoteness on Europe's northern fringe, its cultural homogeneity and its position outside the euro zone all tend to discourage foreign investment, conceded Jacob Wallenberg, chairman of Skandinaviska Enskilda Banken AB and senior vice president of Investor AB, the Wallenberg family vehicle that engineered the merger of Astra with Zeneca Group PLC of Britain and Stora with Enso Oy of Finland.

But he added, those handicaps make tax issues all the more crucial. "Maybe we have to be even better than our competitors to compensate for our negatives," he said.

To illustrate the possibilities and the threats facing Sweden's economy, there are few better examples than Icon Mediabab, one of the country's fastest-growing firms.

The company creates Internet sites, electronic-commerce platforms and Internet transacts for big and small companies. After just three years of existence, it has 400 employees, sales of 131 million kronor and a stock market value of around 725 million kronor.

Sweden's good education system and ready acceptance of technology, including one of the world's highest rates of computer ownership and Internet use, provided a good environment to create the company, said Mr. Fedeli, the chief executive.

But most of the growth is coming from outside Sweden today, and Icon Mediabab is likely to move its headquarters, and perhaps its headquarters, out of the country in the coming year, he said.

Perhaps more important, three of the company's four founders have left the country to escape a tax system that treats most capital gains on start-up companies as income, subjecting them to an effective tax rate of more than 60 percent. "It prevents any founder of a company from becoming rich," Mr. Fedeli said.

Two of the founders now live in the Netherlands and one in San Francisco. "Their next venture won't be in Sweden," Mr. Fedeli said. "It will be in the Netherlands or in Silicon Valley."

Growth and the Left

It has been noted that much of Western Europe is now governed by left-wing political parties, a sharp change from the Thatcher-Kohl days of yore. But it is not clear how left those left-wing parties really are. British Prime Minister Tony Blair followed President Bill Clinton's lead in steering his Labour Party away from its union base and toward a pragmatic centrist. Now Germany looks set to follow the same course after the resignation of Finance Minister Oskar Lafontaine, who as head of the Social Democratic Party had been the chief force tugging his government leftward.

All this has implications beyond Germany or even Europe. After the Soviet Union collapsed, political scientists were quick to declare victory for free market economics and right-wing politics. Then a financial collapse that began in Asia and spread through Russia toward Brazil prompted a re-examination of that conventional wisdom. Perhaps the free market ideology had gone too far, the experts said; perhaps it was time to re-evaluate the role of government in open capital markets and in national government intervention.

That may still hold true, but Mr. Lafontaine's resignation in one sense shows the limits of any single politician, or any single country, to stem the tide of global capitalism.

As finance minister, he sought to impose higher taxes on industry as part of a "socially just" tax reform that would also cut taxes for workers. He resisted any reform of Germany's gen-

—THE WASHINGTON POST.

High Noon for the IOC

In the wake of the Salt Lake City Olympic bribery scandal, corporate sponsors of the Games like John Hancock Mutual Life Insurance have wisely decided to think about how else they might spend their money. The International Olympic Committee ought to keep in mind as it's members gather this week in Switzerland to determine how much to reform their discredited organization. The answer is a lot.

If it wishes to survive as the custodian of the Olympics, the IOC must transform itself, discarding the clubby, self-indulgent traditions that tolerated corruption. Instead of operating with an arrogance and secrecy that the Soviet Politburo would have envied, the IOC must do business openly and democratically. That means establishing and scrupulously following corruption-proof criteria for the selection of host cities. The best way to insulate the selection process may be to have an impartial panel of experts on sports facilities nominate two finalists on which the IOC would vote.

The IOC should also become a representative body, with members who serve fixed terms and are elected by national Olympic committees or qualified athletic organizations from all countries. Although the IOC is a non-profit organization, it handles billions

—THE NEW YORK TIMES.

Other Comment

The Real Threat in China

The great threat emanating from today's China is the prospect of an economic downturn leading to social and political instability. Economic growth last year was nowhere near the official figure of 7.8 percent, but was widely considered to be between 3 and 5 percent. Enormous problems accompany this declining rate of growth, including state enterprises that need reform, unemployment, underemployment, and regional economic disparities. The Communists are watching a "floating population" of as many as 130 million peasants drifting to the cities in search of work.

They see peasants rioting in villages and workers rioting in cities. They know they cannot afford to continue subsidizing uncompetitive state enterprises, but they fear that the Chinese economy cannot generate enough jobs to absorb the tens of millions of workers who must be cast out of the state-owned factories without a social safety net.

The United States need not muffle its criticism of Beijing's crackdown on dissidents, but it should nurture a patient and confident expectation that a new Chinese generation, molded by the Internet and the entrepreneurial principle of constant change, will soon undo the structures of the old Reds.

—The Boston Globe.

The Importance of Asia

Americans have learned that the fate of Asia is also our fate. Our freedom and prosperity depend on the freedom and prosperity of Asians. This fact is sometimes forgotten in America today. It should not be. Asia is as important to America today as it was in 1941.

Our security depends on the network of military alliances with Japan and South Korea to preserve peace and stability in Asia. Asia today presents many challenges. Threats of ballistic missiles to our shores are raising their ugly heads in Asia [from North Korea]. China is emerging as a world power, challenging us not only in Asia but globally as well.

The jobs of millions of Americans depend on U.S. exports to Asia.

I wish I could conclude that the Clinton administration's responses to the challenges of Asia have been adequate. I cannot. All too often the administration has treated Asia haphazardly, often reversing policy without sufficient explanation, confusing friend and foe alike, and failing to bring all the pieces of U.S. policy together in a coherent strategy.

—Edwin J. Feulner, president of the Heritage Foundation, testifying recently before the U.S. House of Representatives' subcommittee on Asia and the Pacific.

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A Bull Market Gallops On, Destination Unknown

By Floyd Norris

NEW YORK — There has never been a bull market quite like the one that America is now enjoying. And while there is logically no more significance to approaching 10,000 on the Dow Jones industrial average than to approaching 9,500 or any other number, it is worth noting just how far and fast we have come.

This bull market has reflected and encouraged a renaissance of America's economic power and self-confidence. Its very existence is one reason the economy has been so strong. The impact of an end to the bull market would be felt even by those who have never invested in a stock or mutual fund.

That group, to be sure, is dwindling. As the bull has grown, stocks have gone from a subject of scorn, seen by many as little more than gambling, to being widely regarded as the best long-term investment, one that both Democrats and Republicans agree should be bought to help finance Social Security. America itself has gone from fearful to supremely self-confident.

The birth of this bull came on Dec. 6, 1974, although no one knew it at the

time. That was when the Dow hit bottom at 577.60, having plunged by 45 percent in less than two years amid the worst economic news that America had seen since the Great Depression. The country was in a recession and inflation was rising. New York City, the financial capital of the country, was on the verge of going broke.

American industry appeared to be in an irreversible decline. There were predictions that first the oil-producing countries and then the Japanese would buy America. Such fears played a role in the next two presidential elections, in which incumbents were rejected.

At the bottom in 1974, the stocks in the Standard & Poor's 500 index were trading at seven times that year's profits. On average, those stocks paid dividends equal to 5.8 percent of their purchase price.

A quarter-century later, almost everything has changed. Books celebrate the American century, and Americans lecture Japanese on economics. Com-

modity prices are low, and producers are suffering. Technology is pre-eminent. The value in many companies is seen as being in their brand names, not in their manufacturing plants, which are viewed as expendable.

The rise in stock prices can be traced only in part to the country's economic success. Corporate profits have risen in recent years, but not nearly as rapidly as stock prices. The S&P 500 is at 28 times estimated profits, and has a dividend yield of 1.3 percent.

If investors were willing to pay about the same price for profits and dividends as they were in 1974, the Dow today would be around 2,500, on the verge of topping 10,000. If valuations were equal to those at the 1987 peak, before that year's crash, the Dow would be somewhere between 5,000 and 7,000. That people are willing to pay so much more is a tribute to optimism and to the fact that stocks are now viewed as a long-term sure thing.

In the past couple of years, the breadth of the great bull market has narrowed. Stocks in smaller companies (Internet operations excluded) have lagged notably, and the Russell 2,000, an index of stocks that rank just below the 1,000 largest companies, is now about where it was in mid-1997, while the Dow is up by nearly 30 percent. For most of the decade, the biggest winners have been in technology and financial services — the industries through which America has re-emerged as the world's strongest economy.

At the same time, the very existence of the bull market has made Americans far more willing to spend on houses, cars, cell phones and all the other accoutrements of the good life. In recent years, that spending has consistently exceeded economists' expectations, producing surprisingly fast growth and reinforcing the bull market.

When — or should I say, "if" — the bull market ends, the impact on the American economy and psyche will be much greater than it would have been before so many Americans pinned their hopes for the future on Wall Street's advance. No doubt the pessimism of 1974 was excessive, but so, too, may be the optimism of 1999.

The New York Times.

Behind This Crazy Stock Market Is a Healthy American Economy

By David Ignatius

WASHINGTON — Last week, as the Dow Jones average was nearing the summit of 10,000, I called the head of a big investment bank and asked him what people on Wall Street were talking about these days. "This crazy stock market," he said in a tone of bewilderment. "People are mystified by it."

We might call it the Rational Exuberance Market, because it is driven by the real dynamism of the American business and technology revolution that is sweeping the world.

The fact remains that this is one crazy market. You make money buying things that are expensive, like perennial glamour stocks Microsoft or Gillette, and lose money buying things that are cheap, like down-in-the-dumps natural resource stocks or industrial commodities.

Many smart people have been wrong about this market. At some point, of course, a market correction will set in,

They looked at valuations back in 1995, when the Dow broke through 5,000, or in 1997, when it hit 8,000, and concluded that it was overvalued. Stocks were trading at what looked like unsustainably high price-to-earnings ratios.

The biggest worries, understandably, have tended to be with the veteran investors with the most to lose. I think of an investment banker from Morgan Stanley who warned me solemnly last October that the market had only a few more weeks of strength to sell into before it shattered.

I think of the CEO of a big concern who told me a month ago that he was unloading his stock portfolio because he saw very little potential benefit on the upside, and lots of risk on the downside.

At some point, of course, a market correction will set in,

and the bears will congratulate themselves for being right after all. But as the Dow nears the magic five-digit barrier, it makes sense to stop arguing with this market and try to accept it on its own terms. What is this crazy market telling us?

There is an awful lot of money out there chasing a limited pool of U.S. stocks. So long as money keeps pumping in from mutual funds, 401(k) plans and global investors who want a piece of the American pie, then prices will keep rising for brand name stocks, well beyond levels that would otherwise make sense.

Markets are driven by psychology. The economist who understood this best was John Maynard Keynes, who was an avid investor himself. He noted that in periods of growth, investors were driven by what he called "animal spirits," a

surging optimism that leads them to put aside their normal caution and plunge long-term.

But in bad times, Keynes observed, a kind of animal panic takes over. He called it "liquidity preference," a fear so acute that investors insist on the safest, most liquid investments, like government bonds. We saw a whiff of that panic last August and September after the Russians defaulted on their debt, when investors raced to the safety of Treasury bills, and the market for riskier debt nearly collapsed. No doubt we shall see that panic again some day.

This amazing market reflects the amazing health of the U.S. economy. Behind the boom is the 1990s' unusual combination of rapid growth combined with low inflation and low interest rates. And U.S. business is reaping the benefits of the wave of restructuring and cost-cutting that swept the

economy in the late 1980s and early 1990s. That process costs millions of workers their jobs, but it made American companies the toughest and most aggressive in the world.

A similar restructuring process is beginning in Europe. The old cosseted European economy in which each country tried to have its own car company, steel company, is breaking down. A genuinely European economy is being created, which will be dominated by the leanest and meanest. When those new pan-European companies hit the global economy, we shall be talking about the Euro-boom.

And where will the Dow Jones average be then? Will it have surged to 15,000? Will it have fallen back to 8,000? The amazing fact is that nobody knows, least of all the smart people.

The Washington Post.

Threats and Opportunities: Leaders Need to Speak Out

By Robert M. Gates

NEW YORK — The present furor in Washington over Chinese espionage at Los Alamos offers fresh evidence that finger-pointing and sound bites are a lousy way to protect and advance American security interests.

Too many officials, at both ends of Pennsylvania Avenue, are trying harder to make political hay or to protect themselves than to explain the larger lessons of China's actions and lax American security.

And too many commentators would rather egg on the antagonists for another good fight than shed light on the real issues at stake.

Is anyone really surprised that China spies on the United States, trying to steal military, economic, technological and intelligence secrets? Does anyone believe that this is new?

Recall the case of Larry Wu-Tai Chin, the CIA employee who was arrested in the mid-1980s for spying for China. He was hardly the only one. Russia also

continues to spy, although many seemed surprised that a post-Cold War Russian intelligence service continued to run the Soviet spy Aldrich Ames as a mole in the CIA. America's broader relationship with both countries has continued nonetheless.

And it is not just old adversaries who spy. How about Israel paying Jonathan Pollard for thousands of pages of sensitive American intelligence documents?

Or the French intelligence services stealing American business secrets by planting moles in American companies and bugging the hotel rooms of visiting American business?

Or the point of this is not to excuse China's espionage on the ground that everyone does it, but to highlight a reality that both the Clinton administration and its critics neglect: De-

We should draw three lessons from this reality.

In a tough world — the only world there has ever been, really — Americans should recognize the critical and enduring importance of American strength and enhance that strength in all its dimensions: military, intelligence and diplomatic. Nor can vigilance be allowed to slacken. And that

includes protecting secrets that matter, like nuclear weapons technology.

Second, leaders need to help Americans understand that today the country will find most nations to be both its partners and its adversaries, sometimes simultaneously. Pigeonholing most countries as either friend or foe is wrongheaded and undermines the national interest.

This is not realpolitik, it is just plain common sense. The challenge, as always, is how to encourage behavior that advances U.S. interests (and values) and to discourage behavior that does not — and to do both these things in a manner that promotes long-term constructive relations with other world powers.

Third, too many foreign policy experts, especially in the current administration, have tried to play down or put the best face on troubling actions by Russia, China, North Korea and others. This does disservice to the public's understanding of what is going on, and thus to the country's ability to act in response.

For instance, when officials fail to address candidly the pervasive corruption in the Russian government (and the theft of billions in Western aid), as well as Moscow's aid to Iran's missile program and Russian obstructionism in the former Yugoslavia, this makes it harder for them to justify attempts to build closer ties with Russia.

Similarly, the failure to acknowledge China's misbehavior — or its role in the proliferation of weapons of mass destruction, its theft of technology, its

aggressive espionage, its repression of internal dissent — undermines the U.S. government's efforts to foster a stable, mutually beneficial relationship with China.

Such relationships are complicated. Washington — and the media — should stop underestimating Americans' ability to understand this if given the full story. The more Americans know about both friendly and unfriendly behavior by powers like Russia and China, the better they will understand a mix of policies that together protect and advance American interests.

That imposes a burden on both the administration and Congress to be forthright and honest about what they know, the good, the bad and the ugly. It is a burden that neither, so far, has effectively shouldered.

When leaders fail to speak forthrightly about the dangers that confront the United States, many citizens simply turn their backs on a complicated and confusing world.

The writer, a career intelligence officer, served on the National Security Council staff under four presidents and was CIA director under George Bush. He contributed this comment to The New York Times.

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

OPINION/LETTERS

The Republican Party Is Reinventing Itself

By E.J. Dionne Jr.

WASHINGTON — The Republican Party is transforming itself. It is finally realizing that it is not in the 1980s anymore, and that it can not run against the '80s forever. That is what the seemingly unstoppable rise of Governor George W. Bush of Texas means, but it is also what explains the interest in the presidential candidacies of Elizabeth Dole and of Senator John McCain of Arizona.

While most Republicans do not want to admit it, they are changing because they are coming to terms with the transformation in American politics brought about by the man they referred to scornfully during the impeachment battle as William Jefferson Clinton.

The obvious agents of change are the party's governors — much as Mr. Clinton, the governor, was a change agent in the Democratic Party. Governors, unlike members of Congress, normally build expansive coalitions to win office — just as the Republicans need to do now.

"By the circumstances we are involved in, we are obliged — you can't avoid it — to be involved with and serve diverse populations," said Governor Marc Racicot of Montana, a Republican who has been organizing his colleagues on behalf of Mr. Bush.

The power of the governors, and of Mr. Bush in particular, rests not simply on the nature of their jobs but on a significant change in the political argument.

The Republican Revolution of 1994 was inspired by the anti-government views of the economist Friedrich Hayek, who tirelessly campaigned against government interference in free markets. Most Republicans still prefer the market to government, but they are prepared to give government respect that they were not giving it before.

Their change of heart reflects a simple calculation: Attacks on government, and on the services governments provide, no longer work as an electoral strategy. Listen to Marc Spitzer, a top Republican in the Arizona Senate and a firm foe of big government spending: "There's an emerging majority that's fiscally conservative but recognizes that there's a role for government, a limited role for government, that assists people in solving problems."

The Bush phenomenon is as interesting as any. His popularity in Texas is built in part on issues that Mr. Clinton seemed to have a patent on. His education reforms are tough enough for conservatives and successful enough for everybody else. His shifting of state education spending actually moved money to poorer school districts — and was opposed by many in his own party even as it won support from Democrats.

Then there is his embrace of "compassionate conservatism." The compassionate conservative believes that social problems are best solved by strengthening programs run by churches and community



groups, rather than through government intervention.

Alex Castellanos, a Republican consultant, sees compassionate conservatism as defining "a more decentralized, modern, dynamic" approach to social ills and a declaration that "we actually believe we can help more people."

Here, too, the conservatives are learning from Mr. Clinton. "Clinton has shown an ability to evoke some compassion and Republicans haven't been able to," Mr. Spitzer said.

The late political writer Samuel Lubell argued that the United States rarely has a two-party system. It has a one-and-a-half-party system, a "sun" party whose light dominates the landscape and a "moon" party that either reflects off or reacts to the sun party.

But by fits and starts, Republicans are realizing that if they are to do this, they will have to respond to the problems that Mr. Clinton brought to the fore — education, social in-

surance, health care reform and child care — and to the public's embrace of his idea that it takes a moderate and active government to solve them.

Whether Mr. Bush is all that his supporters say he is — and whether he can bridge the Republican divide on such issues as abortion — will be tested over the next year and a half.

The rethinking in the Republican Party is not as far along as Democratic rethinking was in 1992. And there will be much Republican resistance to accommodating the American majority's desire for a governing party that does not view government as unnecessary.

But if bringing about that accommodation is Mr. Bush's essential mission, there is much he could learn from the man in the White House. "I believe that just as Bill Clinton was a New Democrat," Mr. Castellanos said, "this year there's going to be a New Republican."

The Washington Post.

LETTER TO THE EDITOR

One European's View

I am a European. I am a member of a multinational community — Europe — that probably for the first time in history puts me and the 300 million or so people living here at the center of its deliberations, debates and legislation. And I proclaim that I do not want to eat horse-meat-treated meat, no matter where it comes from, or genetically modified

foods. I do not want to fly in old planes, and I am happy that something is being done to make life less stressful for those who live near airports.

I care that the sick receive the medical treatment they need, that the elderly have enough comfort, and that the unemployed, too, can afford to have children.

And I am hesitant about bombing people, whether soldiers or civilians,

anywhere, just on the presumption that if I do not bomb them, they will bomb others. In fact, I am averse to the idea of killing anybody, no matter who they are or what they have done or could do.

I am sick to death of having American rightness rammed daily down my throat. I am doubly sick to see the world slapped about and abused incessantly by the taunts of that hysterical, hypocritical "superpower."

I am happy to eat bananas from the Caribbean, a part of the world with which we Europeans still have a huge debt for past ravages.

If Europe loses its "battle of the banana" I will simply boycott Chiquita products and even old Boeings. And I exhort all my fellow Europeans to do the same.

JOHN HARDEN.
Pisa, Italy.

BOOKS

THE SOUND OF TRUMPETS

By John Mortimer. 273 pages.
\$23.95. Viking.

Reviewed by Jonathan Yardley

WITH this novel, John Mortimer completes his tart and amusing trilogy devoted to the life and career of Leslie Timms, Conservative member of Parliament and devoted apostle of his involuntarily retired leader, Margaret Thatcher. Now elevated to the House of Lords, Timms has time on his hands and (on behalf of his adored leader) revenge in his heart. How he achieves the latter is the chief business of the novel.

The precipitating event is the death, under peculiar if not outright suspicious circumstances, of Peter Millinch, MP. This mandates a by-election in the constituency of Hartscombe and Worsfield South, Timms' home ground for Timms and, for more than half a century, unregrettably Tory ground. One would assume that Timms would reflexively support whomever his party put up for the seat, but one would assume incorrectly. Timms cannot forgive the spineless Tories who tossed Mrs. Thatcher and replaced her with (the spineless) John Major.

Among these is Tim Willock, a

former MP and now his party's choice for Hartscombe and Worsfield South. Willock, as Timms nicely puts it, is "that little traitor ... that damp, fawning, Europe-loving git whose true occupation is selling strings of onions off a French bicycle, that three-legged coward who stood with his dagger out during the assassination of the greatest Leader we ever had, his hand shaking and afraid to strike, that vacillating voice of the Prime Minister's movement for mediocrity."

Willock, in other words, simply will not do. So Timms puts himself at the service of the Labour candidate, a (spineless) young man named Terry Flinton, who mouths the Socialist line but whose ambitions and drive far transcend any limitations placed on them by ideology.

Matters are complicated by others in the cast: Paul Fogarty, warden at Skirfield Young Offenders' Institute, a soft-hearted fellow who is potentially compromised by his homosexuality; "Slippy" Johnson, one of his wiser charges; Agnes Simcox, the lovely leftist at a local bookstore.

Timms, meanwhile, is giving Terry

unolicited but valuable advice and uncomding Willock at every opportunity.

Revenge being "one of the few remaining pleasures of old age," he throws

himself into the campaign with all the energy he can muster. Terry knows that he is "simply the instrument of Timms's revenge," but scruples and pride have nothing to do with the case when a seat in Parliament suddenly seems possible.

As Terry draws closer to victory and as the charms of Agnes continue to lure him, he wearies of the "narrow intensity" of his wife's politics: "There were political ideals, and there was the art of winning elections, and Kate seemed quite unable to keep the two conceptions separate in her mind. Timms was skilled in the art of winning elections and whatever his bizarre reason for offering it, his help might lead Terry to victory."

If Terry's reasoning seems to mirror or parallel that of Tony Blair and his exemplar, Bill Clinton, so be it. Mortimer is himself a gentleman of the left, but that has not blinded him to the shortcomings of its present generation of leaders. He seems to feel more than a twinge of regret at the passing of Timms and Thatcher and the many others who, however repellent they may have found their politics, offered such fat targets for satire. Optimistic little Terry Flinton is a pygmy by contrast, and no one understands this more clearly than Mortimer.

Washington Post Service

CHESS

By Robert Byrne

THE Saintly Cup International Tournament in the Queen Victoria Building in Sydney was the strongest ever held in Australia. There were four grandmasters and six international masters in the 10-player round-robin competition, which ran from Jan. 19 to 30. Joel Benjamin, a Manhattan grandmaster, took the \$1,800 first prize with 7-2, ahead of the Australian grandmaster Ian Rogers, who scored 6-3 for second place and the Chinese grandmaster Zhang Zhong, who finished third with 5½-3½.

The "Saintly" in the tournament title does not refer to any stringent code of moral behavior to be observed by the

participants but to a favorite animal of the noted horsebreeder Dato Tan of Malaysia, the sponsor.

Benjamin, who helped train L.B.M.'s formidable chess computer, Deep Blue, has long favored off-the-beaten-track openings and is still playing them, even after they have achieved considerable popularity. In the first round, he used one to defeat the Australian international master Guy West.

The unusual anti-Sicilian system with 3.c3 and 5.Bd3 has been grouped with the closed Sicilians, but in this game, Benjamin quickly opens the position with 7.d4. In sandwiching in 4.b5, he showed that he thought it was important enough to prevent black counterplay in the center with ...Bc4 to justify the loss of time.

The peculiar development with 5.Bd3 is based on the consideration that after 5...Bf7 6.Bc2 e5 7.d4, the white king bishop is on a better diagonal than it would be after 5.Bc2.

An M. Ginzburg-G. Serper game in the 1998 Pan-American Tournament went 7...ed 8.c3 O-O 9.O-O Ne5 10.d5 Nb4 11.Nc3 Nc2 12.Qc2 Re8, with reasonable play for Black.

After 10.O-O, West should have tried 10...Ne5, one thought being that 11.Bc3 d5 12.Nc5 b3 13.ed Nc5 14.Bd4 Bd4 15.Qd4 Qb6 gives Black sufficient play.

After 17.Nb2, the d6 pawn was left as weak as before.

After 19...Rc8, there could have followed 20.Qd6, but after 20...Qg5 21.Qb6 Nf4 22.g3 Nh3, Benjamin judged the situation as unclear. Also, after 20.Bb3 Qh4, Benjamin decided that it was risky to venture 21.Qd6 and let West get some

counterplay with 21...Nf4. Besides, his 21.Bd5 Bd5 22.Nd5 b5 23.ab 24.b3 Rf5 25.f4 Ne5 26.Ng4! gave him strong control of the board.

After 28.f5, the black kingside came under fire and the forced 28...g5 29.ef Re5 30.Rf1 yielded Benjamin a grip on the important e line.

After 31...Kb8, Benjamin suddenly shifted his attack to the vulnerable c line with 32.Rc1!, threatening 33.Nb6 Rc7 34.Qd6. On 32...Na7 33.f5 Qg6 34.Rc8 Nc3 35.Qc1!, the black knight at c8 had to be lost: thus, 35...Qg8 36.Ne7 Ne7 37.Qe8 38.Qe7 39.Qd8 Ng7 40.Nf6 wins the queen.

After 40.Qf8, when Benjamin had reached the time control, West gave up rather than face 40...Qg6 41.Qd6 Ne6 42.Nd5 Qb1 43.Kh2 Qb3 44.Ne5 b4 45.Qe7 Ng5 46.Qf8.

Washington Post Service

SICILIAN DEFENSE

White	Black	White	Black
1.e4	2.f5	21.Bd5	22.Nd5
2.Nf3	25.g5	22.Nd5	23.ab
3.c3	26.Ne5	23.ab	24.b3
4.b3	27.f4	24.b3	Re5
5.Bd3	28.Qg6	24.Nf4	Nc5
6.Bc2	29.Qd6	24.Ng4	Qd8
7.d4	30.Rf1	27.Qe8	Qf8
8.c3	31.Qc2	28.Qc1!	Ng7
9.Qd2	32.Qc2	29.Qe7	Qg5
10.e5	33.Qf6	30.Qd6	Qe8
11.Nc3	34.Qe8	31.Qd6	Qf8
12.Ne2	35.Qc1	32.Qc1	Ng7
13.Nc3	36.Qb1	33.Qf6	Qg5
14.Bf4	37.Qd6	34.Qc1	Nc5
15.Bd2	38.Qc1	35.Qc1	Nf7
16.Nf3	39.Qd6	36.Qc1	Qe8
17.Nh2	40.Qg5	37.Qd6	Nf7
18.Qd2	41.Qd6	38.Qd6	Nf7
19.Rd1	42.Qd6	39.Qd6	Qf7
20.Bb3	Qh4	40.Qd6	Qf7

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A Forgotten Papal Encyclical Might Have Changed History

By Marvin Hier

LOS ANGELES — As the 20th century draws to a close, Pope John Paul II is expected to journey to the Holy Land to help mark the millennium. He is also expected to make a decision regarding the candidacy for sainthood of three of his predecessors, John XXIII, Paul VI and Pius XII, who was the Pope during the Holocaust. The beatification of Pius XII would be condemned by many Holocaust survivors and Jewish organizations, including the Simon Wiesenthal Center.

Only this month, a London newspaper said that the independent judge for the

American blacks and knew instinctively that he was the right man for the job. He told the startled priest to write the encyclical as if he were the Pope. Father Lafarge and two colleagues worked feverishly to prepare the document that they called "Humanum Generis Unitas" ("Unity of the Human Race").

On Sept. 20, 1938, Father Lafarge handed in the completed document to the father superior of the Jesuits in Rome. It condemned anti-Semitism in language never before uttered by a Pope.

"Millions of persons are deprived of the most elementary rights, denied legal protection against violence and robbery, exposed to every insult and public degradation. Innocent persons are treated as criminals; even those who in time of war fought bravely for their country are treated as traitors.... This flagrant denial of human rights sends many thousands of helpless persons out over the face of the Earth without any resources."

Concurrently, on the day Father Lafarge handed in the encyclical, Pius XI, speaking to a group of Christian pilgrims, said: "Abraham is our patriarch and forefather. Anti-Semitism is incompatible with that lofty thought. It is a movement with which we Christians can have nothing to do." He added, "Spiritually, we are all Semites."

Tragically, Father Lafarge's document was too shocking for some conservative prelates in Rome. They delayed sending it on to the ailing Pope, who kept asking for it but never saw it until it was too late.

With Father Lafarge's encyclical on his desk, Pius XI died on Feb. 10, 1939, before he could sign it. The new Pope, Pius XII, refused to issue it. Mysteriously, the document soon disappeared and not another word was heard about it until the National Catholic Reporter broke the story 43 years later.

But the record is clear that Pius XI was greatly troubled by his deal with the devil, and the more he observed the Nazis' inhumanity and deceit, the more determined he was to confront them. In his 1937 encyclical — a paper expressing the doctrine of the church — he lambasted those who worshipped the superiority of race. A year later, when Cardinal Theodor Innitzer welcomed Hitler's takeover of Austria, Pius XI forced him to issue a humiliating public retraction.

But the apex of Pius XI's resistance came when he ignored his own inner circle of advisers and instructed a visiting American Jesuit priest, the Reverend John Lafarge, to write an encyclical condemning racism and anti-Semitism. The Pope had read Father Lafarge's book on the racial injustice done to

The writer is the founder and dean of the Simon Wiesenthal Center. He contributed this comment to the Los Angeles Times.

which is Europe's leading financial institution?

which European country has the highest level of online banking?

how do Europeans rate your company?

INTERNATIONAL



Javier Solana Madariaga, left, secretary-general of NATO, meeting with Mr. Clinton at the White House on Monday to discuss NATO's role in the Balkans. Mr. Solana said he feared a "human catastrophe" in Kosovo.

EU: Pressure to Act on Charges of Fraud and Mismanagement

Continued from Page 1

pursuing allegations of corruption in the EU's tourism office for many years. The committee said it had not found any cases where any of the government-appointed commissioners had been directly and personally involved in fraudulent activities. Neither had any of them benefited personally, it said.

It found, however, "instances where commissioners or the commission as a whole bear responsibility for instances of fraud, irregularities or mismanagement in their services or areas of special responsibility."

It said commissioners should be aware of what's going on in their services and added, "No strategy of cover-up may ever be considered acceptable."

The report was critical enough of one commissioner — former Prime Minister Edith Cresson of France — that the European Parliament may initiate moves to have her ousted. Edith Mueller of the Greens party said, "My first demand is that Mrs. Cresson should resign."

The report said Mrs. Cresson "failed to act in response to known, serious and continuing irregularities over several years" in a youth training program for which she was responsible and that she was had displayed favoritism. She hired a dentist, Rebec Berthelet, from the French town where she formerly served as mayor for undefined duties with the commission.

The report confirmed allegations in the Parliament and the press of cronyism, fictitious and fraudulent accounts, profound mismanagement and widespread lack of financial control. In many cases, it said, the commission had assumed new responsibilities without the resources to oversee them. Or it awarded contracts to outside agencies and failed to maintain any control.

The investigators said they found many instances where no irregularity or fraud could be discovered, but where commissioners "allowed" or even encouraged conduct, which, although often illegal per se, was not acceptable."

Questioned actions included the appointment of spouses, close friends or family members to plum jobs or contracts. For example it found that Joao de Deus Pinheiro had recruited his brother-in-law, and should not have done so even if he did not contravene the rules.

The committee blamed Mr. Santer personally for allowing a "state within a state" to develop in the awarding of commission security services to an outside contractor. It said the German commissioner Moussa Wulf-Mathies had inappropriately hired someone for her personal staff. And it found that Manuel Marin of Spain erred in setting up a Mediterranean program, failing to monitor it properly and waiting too long — 20 months — to act after irregularities were pointed out.

It drew a picture of a commission too concerned with theoretical political problems than with solid management. The commission had to confront a growing range of challenges, including enlargement of the EU, the "mad cow" scare, humanitarian crises and the problem of refugees, but it shirked its collective responsibility to ensure it had the staff and means to manage programs.

Paul van Buitenen, the commission auditor whose revelations led to a Parliament inquiry, said the report had vindicated him.

"I am a genuine whistler. I first addressed my hierarchy and received no personal gain."

In reply, he said, some commissioners had attacked his personal integrity, and he was still suspended on part pay. "I have been very lonely," he added. "I want my job back."

The dispute has forced the commission onto the defensive and given the Parliament a chance to raise its profile in advance of European elections in June. There was some irony in this because the assembly itself is voted on part pay for expense-account fiddling and is no stranger to financial excess. Its 1 billion-euro building in Brussels boasts a shower and toilet for each deputy, a a cost of 12,325 euros each when installed in 1997.

In January, the Socialist group headed off attacks on Mrs. Cresson and Mr. Marin, both Socialists, by proposing to dismiss the entire commission, which

the Parliament is entitled to do under EU treaties.

But the Parliament refrained from taking this ultimate step in exchange for an agreement to set up the investigating committee.

The Parliament does not have treaty rights to dismiss individual commissioners. Mr. Santer, who earlier defeated the collegial and collective nature of the commission, now says that he expects fellow members of his team to accept the political consequences of the report, which could mean that Mrs. Cresson, for one, will come under pressure to resign. The commissioners are directly nominated by governments, which alone have the right to remove them as it sees fit.

Mrs. Cresson said in a recent interview that as a result of the Parliament's debate, "I don't think any government could stand against Mr. Santer if he said a commissioner had to go."

In a Panic, Ecuadorans Rush to Reopened Banks

Compiled by Our Staff From Dispatches

QUITO, Ecuador — Thousands of customers anxious to withdraw what money they could lined up Monday at banks across Ecuador after a weekend shutdown ordered by the president to stave off economic meltdown.

In Quito and Guayaquil the panic was greatest among customers of Banco del Progreso after rumors that the bank was on the verge of folding.

The police patrolled the streets of most major cities as thousands of taxi drivers paralyzed traffic by taking to the streets to protest the austerity measures announced Thursday by President Jamil Mahuad.

Commuters were forced to walk to work as roadblocks prevented traffic flowing and bus drivers boycotted work support the taxi drivers.

The legislature appeared likely to reject the measures after the powerful conservative Social Christian Party, which has supported many of Mr. Mahuad's proposals, called them "useless and human."

Mr. Mahuad's centrist Popular Democracy party lacks a majority in Congress. Mr. Mahuad declared a 60-day state of emergency last week, which gives him the power to use troops to guard vital industries and banks in case of protests. A two-day national strike last week against austerity measures closed down stores and transportation.

(AP, AFP)

accounts for a year. Mr. Mahuad also proposed tax increases, cuts in the bloated bureaucracy and steps to speed up privatization of state companies.

Prices of basic goods have risen sharply in markets. Furious leftist-led unions have called for street protests and bank occupations Wednesday to force Mr. Mahuad to back down.

As he waited in line at the Banco Pichincha bank, Mario Ramirez, an accountant, said: "We all knew something radical had to be done to save the economy, but now that it's here it's scary. What is going to happen to Ecuador?"

Congress, which can veto many of the measures, has 30 days to vote on the reforms. It was scheduled to begin debate Monday afternoon.

The legislature appeared likely to reject the measures after the powerful conservative Social Christian Party, which has supported many of Mr. Mahuad's proposals, called them "useless and human."

Mr. Mahuad's centrist Popular Democracy party lacks a majority in Congress. Mr. Mahuad declared a 60-day state of emergency last week, which gives him the power to use troops to guard vital industries and banks in case of protests. A two-day national strike last week against austerity measures closed down stores and transportation.

(AP, AFP)

BRIEFLY

Bedouin 'Exodus' Follows Tribal Feud

ISRAELI-EGYPTIAN BORDER — Hundreds of bedouin fled into the Negev, Israel from the Sinai Peninsula in Egypt on Monday to escape a tribal feud, the Israeli Army said.

"It's like the Exodus," said Adva Loyd, spokeswoman for Israel's Ramat Hanegar regional council.

The army said upwards of 600 bedouin

had been stopped after breaching the border early on Monday and would receive humanitarian aid at a makeshift encampment while awaiting a solution.

The army said the bedouin, members of the Azazmech tribe which has branches in both Israel and Egypt, had fled a dispute with another tribe. (Reuters)

Congo Rebel Vows To Continue Fight

KIGALI, Democratic Republic of the Congo — The rebel chief in Congo, Jean-Pierre Bemba, said Monday that he would keep up his fight to depose President Laurent Kabila despite the appointment of his father to a ministerial post.

"It doesn't change anything," Mr. Bemba said by satellite phone from a base in northern Congo. "It's their business and it doesn't concern me. I'm concerned with fighting Kabila and we are still continuing the struggle."

Mr. Kabila announced changes in his cabinet Sunday, appointing Bemba Saolona, a businessman, minister for economy and industry. (Reuters)

The peace plan calls for both sides to withdraw their forces from all contested areas, for independent observers to take the field and for technical experts to decide the boundary. Ethiopia, however, insists that Eritrea, which triggered the crisis last May by moving forces into the contested area, must pull out first.

Now did the two governments agree on the intensity of the new fighting?

An Eritrean spokesman described it as "very intense," and claimed that Eritrea had destroyed 19 tanks and downed an Ethiopian MiG-23 fighter. Ethiopia described the claim as "a lie" and described the fighting as moderate, after having denied Sunday that it was going on at all.

A diplomat who spoke from the Ethiopian capital, Addis Ababa, said Ethiopia was widely assumed to have started the battle, despite having "already paid a huge price in support of the international community" because of its earlier offensives.

"Someone could argue that if both sides would show a little grace, at least more casualties could be avoided," the diplomat said. "But these are not societies that disposed to magnanimity or grace, neither one of them."

The United States has threatened punitive tariffs on Canadian products if the bill becomes law. But even if the lower house passes the bill Monday — as is expected — it must still be considered by Canada's Senate.

The bill seeks to keep out so-called split-run magazines, or Canadian editions of U.S. magazines. Canadian publications say they are losing advertising to the split runs, which have lower costs and can charge less for ads. U.S. and Canadian negotiators will meet again Friday. (AP)

Ethnic Albanians Ready for Peace

But Kosovars Are Told Signing Must Wait Until Serbs Agree to Pact

By Craig R. Whitney
New York Times Service

PARIS — Ethnic Albanian rebels fighting for independence for the Serbian province of Kosovo told France and Britain on Monday that they were ready to sign an accord worked out in talks last month to disband their army and would settle for autonomy, with a force of 28,000 NATO peacekeepers to guarantee the agreement.

But they were not asked to sign when the Kosovo peace conference reconvened in Paris on Monday. French officials said Monday night that international mediators were trying to find out if the Serbian side would also accept the agreement with some minor changes, leading a key negotiator for the Albanians to warn, "We agreed to a document that has already been completed."

"It's up to the mediators now to get Serb agreement to the document," said Veton Surroi, an Albanian leader in the talks at Ramboillet that hammered out the accord last month. Kosovo Albanian agreement to sign could become null and void, advisers to the Albanian delegation said, if the international sponsors of the talks began proposing changes.

The Serbian side has accepted most of the political provisions of the agreement but has refused to consider NATO peacekeepers to enforce it, even though NATO has threatened President Slobodan Milosevic of Yugoslavia with heavy bombing of Serb targets if he does not agree.

The ethnic Albanians announced their acceptance of the package on Monday only under considerable pressure from the United States and after taking more than two weeks to discuss the terms in Kosovo with representatives of the 2 million people of the province.

"If you propose changes to the agreement the Kosovars have accepted, you will take what has been a victory for British and American diplomacy and turn it on its head," said Paul Williams, a legal adviser to the Kosovar Albanians.

Hubert Vedrine, France's foreign minister, and Robin Cook, the British foreign secretary, the co-chairs of the talks, were not discussing changes in the agreement with the Serbs, but only trying to sound them out about what changes they wanted, and trying to persuade them to accept the agreement in principle.

"We know nothing basic or really important can be changed," one official said. "But if they would agree, for example, to an international military force, if not yet in a NATO force, then it would be difficult to justify bombing them."

Underlying the differences is the gravity of agreement in the six-nation "Contact Group" that is sponsoring the talks. Russia, which the allies would like to participate in the eventual peacekeeping force, is adamantly opposed to bombing the Serbs. The United States is reader to use the threat of bombing than France is, but would leave most of the peacekeeping to 14,000 French and British troops. Germany and Italy are somewhere between France and Britain.

And the Kosovar Albanians proved far less willing to accept allied security guarantees than the United States had thought.

Secretary of State Madeleine Albright was unable to persuade them in Ramboillet last month to sign the agreement when it was finished.

Now, Mr. Williams said, "The Kosovar Albanians have given an unequivocal yes to the document." But, he added, "The Kosovar delegation was informed by the U.S. National Security

Council last week that there would be no changes to the agreement absent their consent," and none had been discussed with them yet, he said.

Their acceptance on Monday came in a letter to the co-chairmen from Hashim Thaqi, chairman of the Albanian delegation. "This delegation and I personally say 'yes' to this agreement," he wrote. "We would be honored to sign this agreement in your presence at a time and place of your choosing."

Mr. Vedrine and Mr. Cook said that in a meeting with the Albanians on Monday afternoon, they sought and received reassurances that this meant acceptance of both the peace terms and the NATO peacekeepers to enforce them.

European officials said they did not ask the Albanians to sign right away because they wanted flexibility in dealing with the Serbs to get them to accept the peace plan, an 82-page document with provisions for a constitution, an ethnically representative legislature, an independent police force and a multinational NATO-led military force that would disarm the Kosovo Liberation Army and oversee the withdrawal of all but 1,500 Serbian border police from the province within a year.

After three years, it says, an international meeting would be convened to discuss a final settlement, taking into account "the will of the people" and the "opinions of relevant authorities."

Mr. Milosevic's special envoy, President Milan Mihailovic of Serbia, said after Monday's session of the talks "We are still working on the political agreement. All those stories that the agreement is finished are fake."

Serb Forces Continue Attacks

As the two sides sat down to new peace talks in Paris, Serb security forces poured rocket and mortar fire onto suspected rebel positions along a front in northern Kosovo on Monday. Reuters reported from Drvar, Serbia.

Smoke rose from burning houses in villages in the eastern foothills of Cetinje Mountain. There has been sporadic fighting along the Vucitrn front, which now stretches at least 15 kilometers (nine miles) north to south, for about three weeks. But in the last three days government troops in the area, who now number in the hundreds, have stepped up pressure on separatist guerrillas of the ethnic Albanian KLA.

China's entry into the World Trade Organization — the only potential area of breakthrough between the two countries.

"Thirteen years have passed since China began its negotiations," he said. "Black hair has turned white. It's time to conclude such negotiations."

Mr. Zhu echoed a line common in China today — the problems between Washington and Beijing were caused by an "internal struggle" in the United States and that a small group of Americans were plotting to ruin U.S.-China ties. He reiterated China's opposition to talk in the United States about including parts of Asia under an anti-missile defense umbrella.

Speaking about allegations of Chinese espionage, the prime minister said that Americans were guilty of two "underestimations." The first was to underestimate the security systems at the Los Alamos National Laboratory. The nuclear weapons laboratory in New Mexico stands at the center of allegations about Chinese espionage. "As far as I know," he said, "the security is very tight."

Second, Mr. Zhu added, China's scientists are gifted enough to develop weapons. "China is fully capable of developing any military technology," he said, citing China's work on rockets, an atomic and hydrogen bomb and satellites. "It's only a matter of time."

"I think the question of China's theft of military secrets from the United States is a tale from the Arabian nights," he said.

Mr. Zhu also discussed on human rights. The prime minister said that during Mrs. Albright's visit to China earlier this month, he told her that when she was still in high school he was already risking his life, fighting for human rights against the Chinese Nationalist government. "She said, 'Is that so?' That showed she didn't quite agree with me."

U.S. Warplanes Continue Attacks On Iraqi Zones

WASHINGTON — U.S. warplanes bombed air defense targets in the northern and southern no-fly zones of Iraq on Monday in response to Iraqi violations of the zones, the U.S. military said.

Such strikes have become a regular occurrence since Baghdad in December began actively opposing U.S. and British jets patrolling the Western-enforced zones, set up after the 1991 Gulf War to protect the Kurdish areas in the north and Shi'ite Muslims in the south.

The U.S. Air Force said that F-15E jets based in Turkey detected Iraqi radar posing a threat to patrolling aircraft and dropped an unspecified number of laser-guided bombs on several artillery batteries northwest of the city of Mosul. Jets also attacked radar sites south of Baghdad.

All the jets returned safely to their bases. The Iraqi News Agency said later that one person was injured Monday when U.S. and British warplanes attacked "civil facilities and weapon sites" in the southern zone.

UN Helicopter Found

Compiled by Our Staff From Dispatches

MIAMI — A UN helicopter that was missing with 13 people on board was found crashed northeast of the Haitian capital, Port-au-Prince, on Monday, the U.S. Coast Guard said. Some of those on board survived the crash, it added. Earlier, the UN said those aboard included five Argentine police officers and an Argentine doctor serving with the United Nations in Haiti, six Russian crew members, and a U.S. executive. (Reuters, AP)

Gaultier's Play on Tender Gender

By Suzy Menkes
International Herald Tribune

PARIS — In his and hers knitted suits, the bridal couple was racing the digital clock: 1983 as they stepped on the runway; half way down by 1994. The sound track from Stanley Kubrick's "2001: A Space Odyssey" rose to its crescendo. Five more paces. And then the applause, as the timepiece flickered 2000 to mark the turn of the millennium and the end of Jean Paul Gaultier's fall show.

The dawn of a new era has been the subtext of the international fashion season that closed in Paris on Sunday. But it was not the smattering of futuristic clothes — all polar white and gleaming silver — that caught the fashion moment, but those that expressed the modernity of now.

That is the brilliance of Gaultier, whose streamlined clothes, imbued with multicultural references and worn by couples of different sexes and races, was the stand-out show.

The designer touched base with everything that is currently cool: the small jacket and wide-flowing pants; shearing used as a second skin; the kimono wrap the duvet as both protective coat and comfort blanket. But, invigorated by his launch into haute couture, Gaultier raised all that sporty simplicity to a higher level of refinement.

Take the sweater — the show's motif — and imagine cabled Aran made in fury knitted strips; or knits with the Nordic patterns worked in sequins, which is a Gaultier signature.

Most houses have a problem in turning couture fantasies into ready-to-wear — but not Gaultier. Ideas from his January show included the nonchalant scarf with a hands-free pose at either end and an effortless reworking of the African theme, as roulade collars and hems, padded leather torques and braid-and-bandanna hairdos.

Draped dresses with belts slotted through one side were less successful — partly because they disrupted the tender gender story. Gaultier is a master of updated androgyny, making clothes that express the difference between the sexes in their textures or silhouettes, yet at the same time linking the masculine camel suit and woman's coat or his sparkling evening coat and her strapless dress.

"I thought about the year 2000 and I didn't want to do science fiction — I wanted to show the evolution of our society, because it is the mix of things that interests me," Gaultier said backstage after he took a standing ovation for an exceptional show.

French designers are at last capturing the multi-ethnicity of the modern City of Light. Yet, paradoxically, it was the Gallic sensitivity of Gilles Dufour's debut show for Balmain that was his charm.

"I don't want to be chauvinist — but I loved it because it looked so French," said the interior decorator Jacques Grange, of Balmain's tiny tweed jackets, Brigitte Bardot-inspired ruched dresses and shapey knits with Argyle-pattern sleeves.

In his program notes Dufour evoked the Paris of the gravelly voiced Edith Piaf, of Mistinguett and the music halls, of the sailor pants of Jean Marais and the delicate drawings of



Gaultier's rabbit-fur cabled sweaters with leather pants and sparkle skirt.

could have been edited out. But in the exuberant knitwear, the Balmain show was in a class of its own. Whether it was sexy cardigans fastened like soft corsets with hooks and eyes or those Argyle-patterned wrists, which emerged from tweed jackets scattered with dew drop sparkles, the knits caught a Parisian elegance in a youthful, modern way.

Was it too young for potential customers — like the graceful Catherine Deneuve, sitting front row?

"It's for me and for my daughter — there's something for us both," the actress said, as Dufour took his bow with Claudia Schiffer who had returned to the runway to model for Balmain.

Another debut collection came from Nathalie Gervais, a Canadian designer whose task is to capture the feminine essence of Nina Ricci in a modern way. With tendrils of tumbling curls, a puff of full sleeve on coat or sweater, yet flat boots, Gervais combined the sweet and the sporty. Fresh was kimono jacket that flowed into wide, soft pants and a gilded sweater and dirndl skirt, which was a pretty, modern way to dress for evening.

The smell of fresh grass from a meadow-sweet runway symbolized a new freshness at Christian Lacroix's show, where salon chic had given way to something more relaxed and whimsical.

The models stepped out in their dainty sandals, a different color ribbon for each foot, with trim coats embellished with fur, over easy dresses shimmering with paillettes. Banished were fancy little suits and complex drapes and cuts. Instead, all the imagination was sunk into the fabrics: antiqued and embossed leather, hand-woven tweedy knits, appliquéd bands of curly lamb, vibrant prints of birds and leaves. This remix of embellishment with simplicity made the most successful transition yet of Lacroix's spirit into genuine ready-to-wear.

THE signatures were still there: the flourishes of decoration as a chenille fringe dangled from a fuchsia dress or jet paillettes ran down pants that woot with a monastic hooded cape top. Grave, sweet-faced models with simple hairstyles played against vivid colors like orange and turquoise and the paillettes, which sometimes gave a hallucinatory, three-dimensional effect. The most intriguing evening outfit displayed loops of multicolored threads that were overlaid with tulle. It all added up to a relaxed show with a sense of joie de vivre, that sent the designer himself running down the grassy runway to take his bow.

Original designers are islands of creativity in a sea of bland clothing, but no single fashion has emerged from the first Paris shows for the year 2000. Perhaps futurism was already discounted when the 1960s creators first envisaged sportswear, pants, zippered jackets and running shoes. The fall season closed with Pierre Cardin's collection, where the designer Sergio Altieri had introduced technon fabrics like laminated jersey, played with pleats, wind-blown or airy, and flashed the collection with bright red. The last sight of the season was a wedding dress made from 44 meters of pearly sheer fabric spinning like a satellite into the future.

Split Personality From Valentino

By Suzy Menkes
International Herald Tribune

PARIS — Sex may be slipping out of fashion, but some designers are still prepared to give it a whirl. And if you want lingerie looks finessed into high fashion, Valentino is still dressing the sensual woman. She may need more than a sweater over her lace-trimmed, satin hot pants. But even skirts were side-split and pants were jeans-cut with flashy scarlet stitching.

Yet this was an ambivalent collection, where discreet, sporty suits, elegant dresses shaped with darts and double-faced coats with embroidery on the inside co-existed with boudoir looks like a racy apron-hib top. It made for a disparate show with some strong pieces. Cute embroidered purses, belts with mineral stones and boots worn with everything were a binding folkloric factor.

Herve Leger took the curvy female body and applied to it some complex fashion geometry, which at its best had a linear dynamic and always works for his stretch bands.

Vivienne Westwood seems so obsessed with sex that every outfit was curved, skirts flipped up at the hem, sweaters clinging and dresses lapping the bosom. All this heroic femininity, fleshed out with Christmas tree baubles, could use a dose of Westwood's now-forgotten wit.



Valentino's sweater, beaded sash and hot pants.



Balmain's Gilles Dufour, with finale dresses, taking his runway bow.

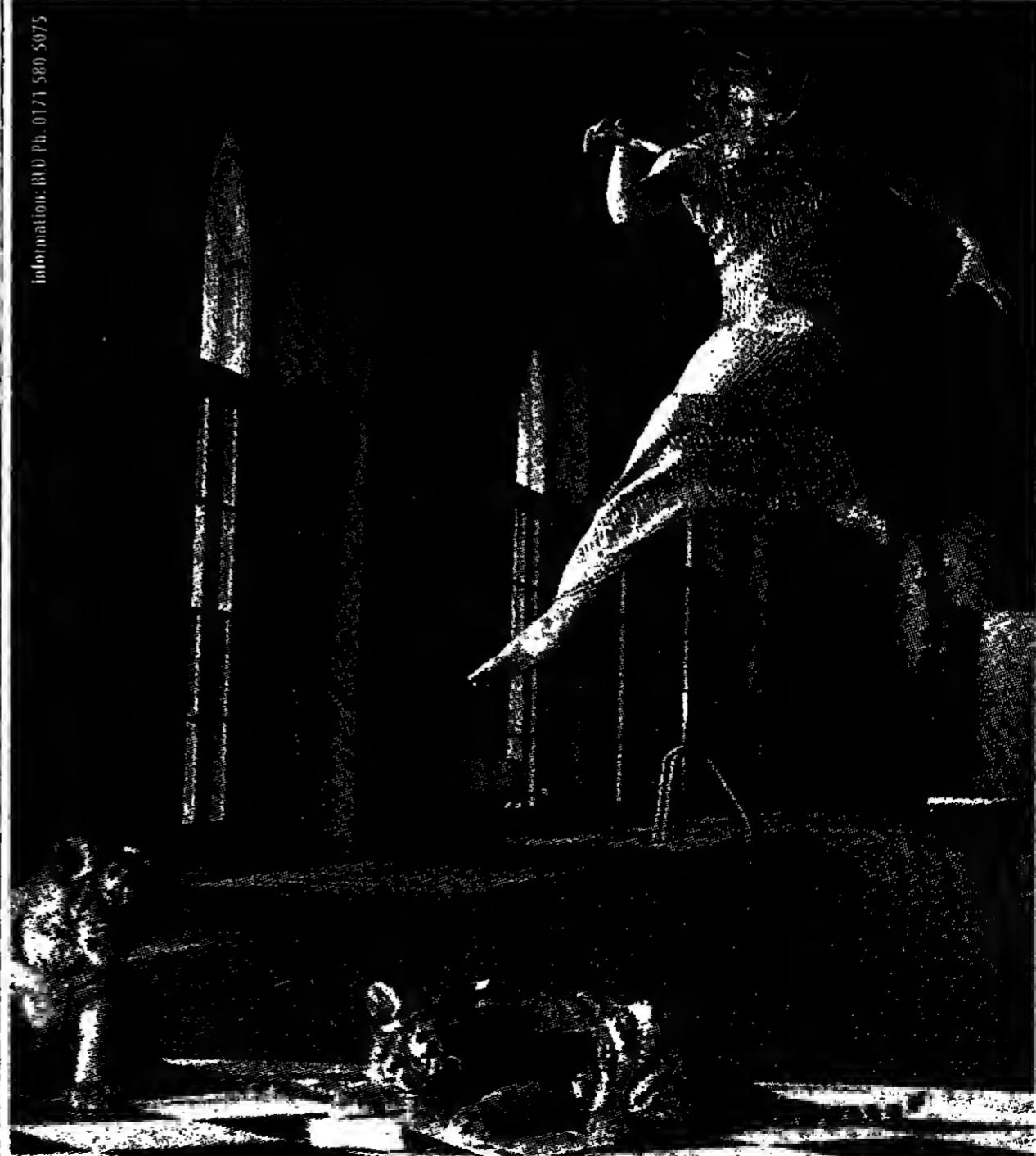
At left, Lacroix's basket-weave coat with fox trim over patterned jersey top and giant-flower-print skirt.

La Vie en Rose

International Herald Tribune

PARIS — It was a witty homage to the 1980s — and a naughty parody of Yves Saint Laurent, whose succession has been a story at the shows. But you couldn't help smiling at Jeremy Scott's fashion take on "La Vie en Rose." Out in only rose pink came everything from a fur coat through a sweat dress to a real live shocking-pink dyed poodle.

Back from the 1980s, Scott, 25, dragged the angular shoulder pad and the pouf dress ragedly perforated. And don't write off the maverick, And don't write off the maverick. He has just signed with Trussardi as consultant for the jeans line. — Suzy Menkes



Style is not a size... it's an Attitude! MARINA RINALDI

Sizes 14-28

London: Harrods-Selfridges • Manchester: Selfridges • Dublin: Brown Thomas

Monday's 4 P.M. Close
The 2,270 most traded stocks of the day.

The 2,300 most traded stocks of the day.
Nationwide prices not reflecting late trades elsewhere.
The Associated Press.

The Associated Press

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Continued on Page 14

No EU Rescue for Duty-Free Business

By Barry James
International Herald Tribune

BRUSSELS — Strong opposition from Denmark and other countries Friday blocked a British move, backed by France and Germany, to reprise duty-free sales in Europe, which are due to end in June.

All governments had agreed in 1991 to end such sales aboard ferries and at airports, after allowing the industry a seven-year transition period to wind down the business. Instead, the duty-free industry has massively increased sales, and now argues that the loss of the more than

6 billion-euro (\$6.5 billion) business will cause up to 140,000 job losses.

Thousands of French workers Monday blockaded the Channel Tunnel and the ferry port of Calais, stopping train traffic in the tunnel for several hours, to protest the planned abolition.

The European Commission, the EU's executive body, argues that duty-free sales are an anomaly in a single market. Sales to travelers in or out of the EU would not be affected.

Mario Monti, the commissioner in charge of taxation and the single

market, said the industry costs national treasuries about 2 billion euros a year in lost taxes, leaving taxpayers to make up the difference.

The tax-free sales, predominantly of tobacco, alcohol and perfumes, "must end and will end," Mr. Monti said. "We must end a situation where ordinary European citizens are paying for other people's duty-free and the quite considerable profits of the duty-free firms."

The International Duty Free Confederation, which is heavily financed by the tobacco industry, has

mounted a huge lobbying campaign in Brussels and the capitals of EU countries to try to stave off abolition.

But Denmark, which supports the commission's opinion, received enough support among European finance ministers meeting here to be able to block plans to allow further reprieves of up to two-and-a-half years, as proposed by Germany.

The finance ministers passed the problem to the EU's committee of permanent representatives of the

See DUTY, Page 13



A pro-duty-free sticker seen at a protest in Calais on Monday that stopped Channel Tunnel traffic.

Convergence Plea For Latin America

By Alan Friedman
International Herald Tribune

The managing director of the International Monetary Fund on Monday called for Latin American countries to work toward closer economic integration on the basis of the European Union model, but stopped short of recommending a single currency.

In a speech opening the annual meetings of the Inter-American Development Bank in Paris, Michel Camdessus told finance ministers from 46 countries that "the convergence and regional integration of your economies is essential to the strengthening of your countries and their ability to adapt to the new international financial environment."

Mr. Camdessus conceded that closer economic integration did not require the adoption of a single currency for Latin America along the lines of the introduction of the euro by 11 EU member nations. But he stressed that "regardless of the final monetary option chosen," the EU model had proven the benefits of closely aligned economic policy inside a geographic region. The IMF chief said "this same route is open to all of your countries as well."

Mr. Camdessus' call for a more coordinated set of economic policies throughout Latin America was endorsed by Enrique Iglesias, president of the IDB, by President Jacques Chirac of France and by Lawrence Summers, the U.S. deputy Treasury secretary. But all three also stopped short of recommending a single currency for the region.

Mr. Chirac said that regional integration "is the way of the future, and the only one." Mr. Summers agreed on the importance of convergence, but repeated for the second time Monday that Washington had serious reservations about Argentina's proposal that it and other countries adopt the U.S. dollar as their own currencies.

"The allure of stability in this region is strong," Mr. Summers said. But he added that the idea of using the dollar

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A pedestrian walking past the Nissan gallery showroom in Tokyo.

Nissan Gets Boost From Renault

Its Shares Soar 13% Amid Signs That an Alliance Is Near

Compiled by Our Staff From Dispatches

TOKYO — Shares of Nissan Motor Co. soared Monday, but Renault SA's stock fell in Paris trading amid indications that the companies were close to an alliance in which Renault would buy a one-third stake in Nissan, Japan's second-largest carmaker.

After talks over the weekend with Renault in Paris, Nissan's president, Yoshikazu Hanawa, told the Nihon Keizai newspaper that an accord could be outlined to Renault's board as early as Tuesday.

But Renault cautioned that while it was talking about a deal to buy a stake in Nissan, it had yet to make a firm offer. A representative of the automaker said the board meeting had been scheduled some time ago.

Nissan is seeking a partner to help it cut its debt of 4.3 million yen (\$36 billion).

Renault wants to expand in the United States and Asia and cut costs.

A Nissan stake would give the maker of Twingo and Clio cars access to markets where it has little presence.

A one-third stake would be enough to give Renault veto power over Nissan decisions, giving it effective control.

"The biggest issue for Renault is, how much debt are they going to assume," said Greg Melich, an auto

analyst with Morgan Stanley Dean Witter in London.

Renault shares closed in Paris at 35.40 euros (\$38.70), down 43 cents, while Nissan shares jumped 53 yen, or 13 percent, to 454 in Tokyo.

Yoshio Yamamoto, president of Fuji Bank Ltd., Nissan's second-biggest shareholder, said at a news conference that the chances of a deal between Renault and Nissan were "high."

But not all the board members of Europe's sixth-largest carmaker have agreed to the alliance. Mr. Hanawa was quoted as saying.

If a deal with Renault falls through, Ford Motor Co. may be waiting in the wings.

The American company is also seriously considering a stake of 33 percent or more in Nissan, The Wall Street Journal reported, quoting unidentified people it said were familiar with the situation.

A Ford spokesman declined to comment. Ford already owns one-third of Mazda Motor Co. and has said it would consider increasing its stake in that company, which is the fifth-largest automobile maker in Japan.

The two jointly develop and build passenger cars and jointly build a minivan in the United States.

(Bloomberg, Reuters)

Thinking Ahead /Commentary

Club Surveys the Global Economy

Clearly No Cabal, the Trilateral Commission Holds a Forum of Ideas

By Reginald Dale
International Herald Tribune

WASHINGTON — To be accused by both the right and the left of plotting world domination is a rare, if in a way gratifying, distinction. But it is one that has been regularly conferred on the Trilateral Commission — a group of influential internationalists from North America, Europe and Japan — over the past quarter-century.

The main feature of conspiracy theories, of course, is that they are usually wrong. The commission is more like an exclusive debating club for business, academic and political leaders than a sinister cabal attempting to subvert elected governments.

And the charges against it seem even more ludicrous because the kind of enlightened, free-market outlook espoused by most of its members is very much in the mainstream of current well-informed thinking about the global economy.

A three-day meeting of the commission in Washington that ended Monday certainly illuminated the concerns over occupying many top policy experts and corporate heavyweights in the leading industrial countries.

Europeans and some Asians at the conference complained sharply that Washington increasingly expected its allies to play by the rules of the global game yet considered itself free to flout those rules to protect American interests.

As is common in such gatherings nowadays, some European participants leveled charges of American arrogance.

There were well-founded fears that economic conflicts, such as the shameful U.S.-European dispute over trade in bananas, were endangering trans-Atlantic relations and the future of the World Trade Organization. And there were widespread concerns over leadership vacuums and the growing tendency to look inward in all three regions.

While many Europeans were dismayed by the U.S. Congress's lack of interest in foreign affairs, a number of the American participants detected some recent improvement.

But hardly anybody challenged a main underlying theme of the conference: that the United States had successfully adapted itself to the global economy well ahead of the other two areas and it was now up to Europe and Asia to follow suit.

Most of the commission espouses an enlightened, free-market outlook.

There are signs of recovery in Asia, even in Japan. Europe is at least still growing, even if it looks fragile. But two big questions remain unanswered: Will the arrival of the euro push Europe to move faster toward structural reform by increasing competition, particularly in France and Germany, which need it most? And can the coming Asian recovery be sustained?

Most conference participants were inclined to believe that the world would help to promote internal reform, even if externally it would only slowly become a world currency.

Some Asians, however, expressed doubts about their region. The question, as a prominent Asian put it, is whether the Asian recovery will be "quantitative or qualitative." If Asian countries now undertake serious reforms, they will ensure a lasting qualitative improvement in their economies. If they sweep their problems under the carpet, once growth resumes, they may be hit by another crisis in five years — a lesson, several people suggested, that also applies to Japan.

Nobody, however, even in private corners, appeared to be plotting to force these solutions on the world. If this frank and intelligent debate was a conspiracy, one can only conclude that the world needs more conspirators.

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CURRENCY RATES

March 15

Cross Rates		Other Dollar Values								March 15	
		Per S	Per E	Per SF	Per Yen	Per CS	Per Dm	Per Greek	Per Swedish	Per Pounds	Per Sfrs
London (a)	1.6217	2.0726	191.446	2.4794	11,007	476.26	13,1991			41.06	
New York (b)	1.6228	2.0746	117.715	2.4793	294.19	8,069				41.06	
Tokyo	119.30	194.42	21.44	78.33	17.51	N.D.	1.4272				
Toronto	1.2653	2.0757	1.0415	1.2957	0.2245	0.5201	0.1829				
Zurich	1.4655	2.3774	1.2431	0.9992	21.544	0.4982	0.1779				
One euro	1.0949	0.6739	1.601	128.85	1.6712	7.4225	221.40	8.8785			
One SDR	1.3641	0.8348	2.0004	163.407	2.0816	9.2861	401.97	11.0718			

Interest rates reflect commissions.

a To buy one pound; b To buy one dollar.

Source: Bank of Tokyo-Mitsubishi/Tokyo/Royal Bank of Canada (Toronto); Banque de France; French MAFIS; ISD; CBI; other recent issues.

Euro Values: Fixed rates of the EMU member currencies, for one euro.

American dollar: 13.7613

Asian dollar: 10.2359

French franc: 5.94572

German mark: 1.39343

Italian lira: 1.20071

Swiss franc: 1.42594

Yen: 1.39481

Other values: 1.6228

Source: Associated Press.

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Source: Associated Press.

Dollar: 12.5973

Euro: 14.246

French franc: 21.784

German mark: 13.025

Italian lira: 12.5973

Swiss franc: 21.5633

Yen: 13.025

Other values: 12.5973

Source: Associated Press.

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Other values: 12.5973

Source: Associated Press.

Private Banking International

THE AMERICAS

**Very briefly:**

- El Paso Energy Corp. agreed to buy Sonat Inc. for about \$6 billion in stock and assumed debt.
- Ciena Corp. agreed to buy privately held Lightera Networks Inc. and Omnia Communications Inc. for about \$980 million in stock.
- Boeing Co. plans to cut 6,700 more jobs from its commercial aircraft division by the end of the year, the Wall Street Journal reported. The division, currently employing 111,400 workers, should be down to 93,700 by this December, rather than the previously targeted figure of 100,400, the newspaper said.
- Alberta Energy Co. offered to buy Pacalta Resources Ltd. for 748 million Canadian dollars (\$490.8 million) in stock and debt to expand its presence in South America.
- Chancellor Media Corp., soon to be the largest owner of U.S. radio stations, said it ended an agreement to buy Lin Television Corp., because investors balked, and said Thomas Hicks would take the helm as its new chief executive.
- United Technologies Corp. is close to an agreement to sell its auto-parts unit to Blackstone Group for about \$2.25 billion, the Financial Times reported.

Bloomberg, AFP

Weekend Box Office

The Associated Press

LOS ANGELES — "Analyze This" dominated the U.S. box office over the weekend, with a gross of \$15.7 million. Following are the Top 10 moneymakers, based on Saturday's ticket sales and estimated sales for Sunday.

1. <i>Analyze This</i>	\$15.7 million
2. <i>The Recipe Game 2</i>	\$7.4 million
3. <i>Ciel Inventions</i>	\$7 million
4. <i>The Camphor</i>	\$5.5 million
5. <i>Body of Evidence</i>	\$5.3 million
6. <i>The Deep End of the Ocean</i>	\$5.0 million
7. <i>Wing Commander</i>	\$5 million
8. <i>The Other Sister</i>	\$3.9 million
9. <i>Eight Millionter</i>	\$3.4 million
10. <i>October Sky</i>	\$3.1 million

Guess Who's Back? Former Junk Bond King Just Won't Quit

By Andrew Pollack
New York Times Service

BEVERLY HILLS, California — There, on one stage at a conference, sat some of the best economic minds in the nation — Gary Becker, Nobel laureate; Merton Miller, Nobel laureate; Douglas North, Nobel laureate; Myron S. Scholes, Nobel laureate, and Michael R. Milken, fallen financier.

Having the dethroned junk bond king rub shoulders with Nobel laureates was not all that incongruous. As a brochure from the conference notes, The Wall Street Journal once described Mr. Milken as "arguably the most important financial thinker of the century."

Besides, it was Mr. Milken's party, and he could crow if he wanted to.

The Milken Institute Global Conference, which ended on Friday, is part of the resurrection of Mr. Milken. Since leaving prison in 1993, he has enlisted his personal fortune and wide network of contacts in an effort to become an influential force in medical research, education and economics.

His Association for the Cure of Cancer of the Prostate, formed after

he was diagnosed with the disease, has given away \$65 million, much of it his own money, making the organization the leading private sponsor of prostate cancer research.

His Milken Family Foundation, run with his brother, Lowell, makes awards of \$25,000 each to about 150 teachers annually, part of an effort to improve education.

And Mr. Milken, 52, harried from securities trading for life, is rebuilding a business empire in education. His Knowledge Universe has quietly acquired companies in businesses ranging from day-care centers to computer training, with combined revenues of \$1.2 billion last year. One unit, a corporate consulting firm called Nextera Enterprises, has filed to go public.

The economic conference was sponsored by the Milken Institute, his small research center. In addition to the Nobel laureates, speakers included Governor Gray Davis of California, Mayor Richard H. Riordan of Los Angeles and former Representative Lee H. Hamilton of Indiana. Reggie Jackson, the former baseball star whom

Mr. Milken enlisted to spread cancer awareness among minorities.

sat by Mr. Milken's side at the opening dinner.

Perhaps it was only a coincidence that the conference was at the Beverly Hilton Hotel, site in the 1980s of several of Mr. Milken's extravagant junk bond conferences, known as Predators' Balls. In a coincidence of timing, however, the conference took place the week when the largest and most celebrated deal Mr. Milken financed, the 1987 buyout that created RJR Nabisco, was undone by RJR's decision to break itself apart.

Those at the conference seemed to care little about his past. Supporters said Mr. Milken was active in philanthropy long before he went to jail and is spending too much time and money for it to be a charge. Besides, they ask, what's wrong with trying to improve one's image by doing good?

Mr. Milken declined to be interviewed. But in a brief conversation he discouraged any interpretation of his motives, saying of the conference, "It is what it is," and adding, "It takes time for people to not be emotional about things."

Mr. Milken served two years of a 10-year sentence for violating securities laws. After leaving prison

in 1992, he was diagnosed with cancer and given 12 months to 18 months to live. The cancer, though, is now in remission, and Mr. Milken is vigorous. But his sense of having limited time has made him as driven and obsessive as he was in his days at Drexel Burnham. He has staff meetings at 6:30 A.M. and calls aides late at night when ideas occur to him, which is all the time.

But the cancer has also made Mr. Milken stop to smell the roses, literally. Besides conventional treatment, he has turned to alternatives like meditation and aroma therapy, and has had flowers planted around his house, which he smells to bolster his immune system.

Founded in 1991, the Milken Institute became a haven for young academics to do scholarly but obscure research. In 1997, Donald Straszheim, then chief economist at Merrill Lynch, was brought in as president, expanding the staff and shifting inward work of interest to businessmen and politicians rather than academics.

This second annual Global Conference is part of that effort.

However, most of the institute's young researchers were dismissed or have quit, complaining that se-



Mr. Milken has given millions of dollars for cancer research.

rious scholarly work was valued less than was preparing slides for the conference.

"Mike has always been very unhappy with the institute, and it has never accomplished what he wants," a former researcher said.

Surging Yen Demand Drives Dollar Lower

Bloomberg News

NEW YORK — The dollar fell against the yen Monday as surging stocks and rising bond yields in Japan increased demand for the currency to buy Japanese securities.

"Investors, especially in the U.S.,

and are now expanding them to a normal level," said Kosuke Hanao, head of foreign-exchange trading at Industrial Bank of Japan. He predicted a drop in the dollar to 115 yen by the end of the month.

The dollar fell to 117.715 yen in 4

P.M. trading from 118.700 yen on Friday. The dollar also fell against the euro, which rose to \$1.0943 from \$1.0915 after a bigger-than-expected monthly gain in German factory orders in January sparked talk that recovery might be taking hold in Europe's largest economy.

The dollar fell to 1.4643 Swiss

francs from 1,4660 francs; the pound fell to \$1.6233 from \$1.6235.

As Japanese yields rise and stocks look more promising, domestic investors could bring home more funds for the bigger returns, analysts said. They are already repatriating profit from abroad to improve their books before the financial year ends on March 31.

Too much strength in the yen could scotch any inkling of recovery in Japan's economy, which is suffering its worst recession since World War II. Exports are one of the country's few sources of growth, and a strong yen makes exports more expensive on world markets.

Japan's deputy finance minister, Koji Tamami, said stability in the dollar-yen rate was crucial to the economy and that Japan "will keep a close watch on the foreign-exchange rate." He said areas such as domestic demand as well as the trade surplus were affected by the exchange rate.

The dollar fell to 1.4643 Swiss

Du Pont to Buy Pioneer Hi-Bred

Bloomberg News

WILMINGTON — Du Pont agreed Monday to buy the 80 percent of Pioneer Hi-Bred International Inc. that it does not already own for about \$40 a share in cash and stock to increase its agricultural business.

The transaction is valued at about \$7.7 billion based on the shares outstanding that Du Pont does not hold. Du Pont said it will buy a 20 percent stake in Pioneer Hi-Bred, the world's largest seed-corn company in 1997.

Gaining control of Pioneer puts Du Pont in a position to catch up with Monsanto Co., whose Roundup herbicide has been gaining market share at the expense of Du Pont's agricultural products business. "This clearly forms a powerhouse on the agricultural side that can compete with Monsanto," said Frank Mitsch, analyst with Deutsche Bank Securities.

Acquisitions Lift Dow As It Chases Milestone

Compiled by Our Staff From Dispatches

NEW YORK — The Dow Jones industrial average resumed its advance toward the 10,000 mark on Monday as a new round of corporate mergers sent stock prices higher.

The Dow Jones industrial average closed at 9,958.77, up 82.42 points

U.S. STOCKS

from its close on Friday. The index of blue-chip stocks has flirted with 10,000 in recent sessions, coming within less than 30 points of that milestone Monday, its highest surge yet, before giving ground.

The market appears to be tip-toeing toward Dow 10,000," said Alan Ackerman, a senior vice president at Fahnstock & Co. "But we could reach that mark at any time."

Broader market indexes were also higher. The Standard & Poor's 500 index gained 12.67 points to 1,307.26, while the Nasdaq composite rose 49.92 to 2,431.45. On the

New York Stock Exchange, the number of advancing issues outnumbered decliners by a 15-to-14 ratio.

The \$16 billion acquisition of BankBoston by Fleet Financial Group added some punch to the financial services sector. And Du Pont said it would pay \$7.7 billion to acquire the 80 percent of Pioneer Hi-Bred International that it does not already own.

BankBoston's shares closed at 46 9/16, down 1/8, while Fleet's shares fell 3 5/16 to close at 41 7/16.

Du Pont shares fell 1 7/16 to 56 15/16, while Pioneer climbed 4 1/16 to 38 3/8.

UAL surged 6 7/16 to 73 1/4 after the world's largest airline company said it expected first-quarter earnings to exceed expectations because of strong domestic business. Other airline stocks also rose.

The benchmark 30-year Treasury bond rose 4/32 to 96 3/32. The yield fell to 5.51 percent from 5.52 percent.

(AP, Bloomberg)

U. S. STOCK MARKET DIARY

Monday, March 15									
Indexes		Most Actives							
High	Low	Prev.	Chg.	Opn.	High	Low	Prev.	Chg.	Opn.
NYSE									
Dow Jones	9988.77	9976.35	+0.93		9988.77	9976.35	+0.93		
Standard & Poor's	1307.26	1294.59	+0.98		1307.26	1294.59	+0.98		
AMEX	655.48	648.27	+1.11		655.48	648.27	+1.11		
Nasdaq	2431.45	2381.53	+2.76		2431.45	2381.53	+2.76		
NYSE	1,110	1,105	-0.05		1,110	1,105	-0.05		
AMEX	720.97	721.21	-0.04		720.97	721.21	-0.04		
Nasdaq	2,431.45	2,381.53	+2.76		2,431.45	2,381.53	+2.76		
NYSE	1,110	1,105	-0.05		1,110	1,105	-0.05		
AMEX	720.97	721.21	-0.04		720.97	721.21	-0.04		
Nasdaq	2,431.45	2,381.53	+2.76		2,431.45	2,381.53	+2.76		
NYSE	1,110	1,105	-0.05		1,110	1,105	-0.05		
AMEX	720.97	721.21	-0.04		720.97	721.21	-0.04		
Nasdaq	2,431.45	2,381.53	+2.76		2,431.45	2,381.53	+2.76		
NYSE	1,110	1,105	-0.05		1,110	1,105	-0.05		
AMEX	720.97	721.21	-0.04		720.97	721.21	-0.04		
Nasdaq	2,431.45	2,381.53	+2.76		2,431.45	2,381.53	+2.76		
NYSE	1,110	1,105	-0.05		1,110	1,105	-0.05		

Monday's 4 P.M.
The 1,000 most traded National Market securities
in terms of dollar value, updated twice a year.
The Associated Press.

12 Month High	Stock	Div Yld	PE	100% High	Low/Listed Corp
109.30	ABX INC	0.00	10.0	109.30	109.30
108.00	ABX INC	0.00	10.0	108.00	108.00
107.00	ABX INC	0.00	10.0	107.00	107.00
106.00	ABX INC	0.00	10.0	106.00	106.00
105.00	ABX INC	0.00	10.0	105.00	105.00
104.00	ABX INC	0.00	10.0	104.00	104.00
103.00	ABX INC	0.00	10.0	103.00	103.00
102.00	ABX INC	0.00	10.0	102.00	102.00
101.00	ABX INC	0.00	10.0	101.00	101.00
100.00	ABX INC	0.00	10.0	100.00	100.00
99.00	ABX INC	0.00	10.0	99.00	99.00
98.00	ABX INC	0.00	10.0	98.00	98.00
97.00	ABX INC	0.00	10.0	97.00	97.00
96.00	ABX INC	0.00	10.0	96.00	96.00
95.00	ABX INC	0.00	10.0	95.00	95.00
94.00	ABX INC	0.00	10.0	94.00	94.00
93.00	ABX INC	0.00	10.0	93.00	93.00
92.00	ABX INC	0.00	10.0	92.00	92.00
91.00	ABX INC	0.00	10.0	91.00	91.00
90.00	ABX INC	0.00	10.0	90.00	90.00
89.00	ABX INC	0.00	10.0	89.00	89.00
88.00	ABX INC	0.00	10.0	88.00	88.00
87.00	ABX INC	0.00	10.0	87.00	87.00
86.00	ABX INC	0.00	10.0	86.00	86.00
85.00	ABX INC	0.00	10.0	85.00	85.00
84.00	ABX INC	0.00	10.0	84.00	84.00
83.00	ABX INC	0.00	10.0	83.00	83.00
82.00	ABX INC	0.00	10.0	82.00	82.00
81.00	ABX INC	0.00	10.0	81.00	81.00
80.00	ABX INC	0.00	10.0	80.00	80.00
79.00	ABX INC	0.00	10.0	79.00	79.00
78.00	ABX INC	0.00	10.0	78.00	78.00
77.00	ABX INC	0.00	10.0	77.00	77.00
76.00	ABX INC	0.00	10.0	76.00	76.00
75.00	ABX INC	0.00	10.0	75.00	75.00
74.00	ABX INC	0.00	10.0	74.00	74.00
73.00	ABX INC	0.00	10.0	73.00	73.00
72.00	ABX INC	0.00	10.0	72.00	72.00
71.00	ABX INC	0.00	10.0	71.00	71.00
70.00	ABX INC	0.00	10.0	70.00	70.00
69.00	ABX INC	0.00	10.0	69.00	69.00
68.00	ABX INC	0.00	10.0	68.00	68.00
67.00	ABX INC	0.00	10.0	67.00	67.00
66.00	ABX INC	0.00	10.0	66.00	66.00
65.00	ABX INC	0.00	10.0	65.00	65.00
64.00	ABX INC	0.00	10.0	64.00	64.00
63.00	ABX INC	0.00	10.0	63.00	63.00
62.00	ABX INC	0.00	10.0	62.00	62.00
61.00	ABX INC	0.00	10.0	61.00	61.00
60.00	ABX INC	0.00	10.0	60.00	60.00
59.00	ABX INC	0.00	10.0	59.00	59.00
58.00	ABX INC	0.00	10.0	58.00	58.00
57.00	ABX INC	0.00	10.0	57.00	57.00
56.00	ABX INC	0.00	10.0	56.00	56.00
55.00	ABX INC	0.00	10.0	55.00	55.00
54.00	ABX INC	0.00	10.0	54.00	54.00
53.00	ABX INC	0.00	10.0	53.00	53.00
52.00	ABX INC	0.00	10.0	52.00	52.00
51.00	ABX INC	0.00	10.0	51.00	51.00
50.00	ABX INC	0.00	10.0	50.00	50.00
49.00	ABX INC	0.00	10.0	49.00	49.00
48.00	ABX INC	0.00	10.0	48.00	48.00
47.00	ABX INC	0.00	10.0	47.00	47.00
46.00	ABX INC	0.00	10.0	46.00	46.00
45.00	ABX INC	0.00	10.0	45.00	45.00
44.00	ABX INC	0.00	10.0	44.00	44.00
43.00	ABX INC	0.00	10.0	43.00	43.00
42.00	ABX INC	0.00	10.0	42.00	42.00
41.00	ABX INC	0.00	10.0	41.00	41.00
40.00	ABX INC	0.00	10.0	40.00	40.00
39.00	ABX INC	0.00	10.0	39.00	39.00
38.00	ABX INC	0.00	10.0	38.00	38.00
37.00	ABX INC	0.00	10.0	37.00	37.00
36.00	ABX INC	0.00	10.0	36.00	36.00
35.00	ABX INC	0.00	10.0	35.00	35.00
34.00	ABX INC	0.00	10.0	34.00	34.00
33.00	ABX INC	0.00	10.0	33.00	33.00
32.00	ABX INC	0.00	10.0	32.00	32.00
31.00	ABX INC	0.00	10.0	31.00	31.00
30.00	ABX INC	0.00	10.0	30.00	30.00
29.00	ABX INC	0.00	10.0	29.00	29.00
28.00	ABX INC	0.00	10.0	28.00	28.00
27.00	ABX INC	0.00	10.0	27.00	27.00
26.00	ABX INC	0.00	10.0	26.00	26.00
25.00	ABX INC	0.00	10.0	25.00	25.00
24.00	ABX INC	0.00	10.0	24.00	24.00
23.00	ABX INC	0.00	10.0	23.00	23.00
22.00	ABX INC	0.00	10.0	22.00	22.00
21.00	ABX INC	0.00	10.0	21.00	21.00
20.00	ABX INC	0.00	10.0	20.00	20.00
19.00	ABX INC	0.00	10.0	19.00	19.00
18.00	ABX INC	0.00	10.0	18.00	18.00
17.00	ABX INC	0.00	10.0	17.00	17.00
16.00	ABX INC	0.00	10.0	16.00	16.00
15.00	ABX INC	0.00	10.0	15.00	15.00
14.00	ABX INC	0.00	10.0	14.00	14.00
13.00	ABX INC	0.00	10.0	13.00	13.00
12.00	ABX INC	0.00	10.0	12.00	12.00
11.00	ABX INC	0.00	10.0	11.00	11.00
10.00	ABX INC	0.00	10.0	10.00	10.00
9.00	ABX INC	0.00	10.0	9.00	9.00
8.00	ABX INC	0.00	10.0	8.00	8.00
7.00	ABX INC	0.00	10.0	7.00	7.00
6.00	ABX INC	0.00	10.0	6.00	6.00
5.00	ABX INC	0.00	10.0	5.00	5.00
4.00	ABX INC	0.00	10.0	4.00	4.00
3.00	ABX INC	0.00	10.0	3.00	3.00
2.00	ABX INC	0.00	10.0	2.00	2.00
1.00	ABX INC	0.00	10.0	1.00	1.00
0.00	ABX INC	0.00	10.0	0.00	0.00

Monday's 3:45 P.M.
(Continued)

12 Month High

Low

Stock

Div Yld

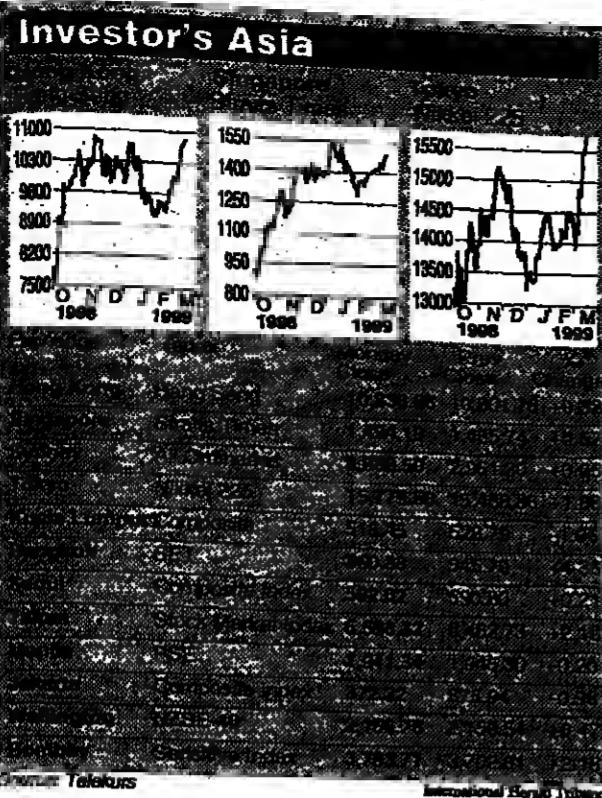
PE

100% High

Low/Listed Corp

12 Month High	Stock	Div Yld	PE	100% High	Low/Listed Corp
118.00	ABX INC	0.00	10.0	118.00	118.00

ASIA/PACIFIC

**Japan's Trade Surplus in January: Up 72% and Growing**

Compiled by Our Staff From Dispatches

TOKYO — The current-account surplus soared 72.2 percent in January from a year earlier as imports plunged and oil prices tumbled, the Finance Ministry said Monday. Japan's surplus hit \$87.5 billion yen (\$6.8 billion) in the month and was likely to keep rising, a ministry spokesman said.

"The January current-account surplus showed the continued weakness of domestic demand amid the recession," said Hidehiko Fujii, senior economist at the Japan Research Institute. Japan's surplus in merchandise trade alone widened 67 percent, to 927.3

billion yen, in January, with exports down 10.9 percent to 3,331 million yen and imports off 24.5 percent to 2,404 million yen.

The current-account balance is a broad measure that reflects the flow of merchandise and services as well as investment income and other monetary transfers. The government announced last week that Japan's economy was still shrinking, and it has been contracting for a record five consecutive quarters.

"Also considering the double-digit fall in exports, the economic situation both here and abroad is weak," Mr. Fujii said, adding that the yen's strength was hurting Japanese

exporters. The ministry said the fall in crude-oil prices was behind the surging trade surplus. In January the average price of crude oil was just \$11.35 a barrel, down 38 percent from last year, officials said.

January's figures will probably put Tokyo under yet more pressure from Washington to spur its economy, Mr. Fujii said.

"Japan's surplus is nothing new to the United States, but it will give them a perfect chance to demand Japan increase its domestic demand, particularly as the presidential election nears," Mr. Fujii said, referring to the U.S. voting next year.

Last week, the United States said it had a record \$23.4 billion deficit in its current account in 1998, a 50 percent jump from a \$15.2 billion shortfall in 1997.

Despite stimulus packages valued at more than 40 trillion yen last year, the Japanese economy has shown only tentative signs of turning around.

"The government's spending efforts center on public works, and given the severity of the economic situation right now, it won't lead to a boost in domestic demand," said Satoru Ogasawara, an economist at Credit Suisse First Boston Inc. (AFP, Reuters)

A 6% Unemployment Rate Makes Hong Kong Gloomy

Compiled by Our Staff From Dispatches

HONG KONG — Unemployment climbed to 6 percent in the three months through February, the government said Monday, the highest rate since the city began releasing such figures in 1981.

The report also continued to offer a gloomy outlook. "As overall economic activity might continue to be slack in the early part of the year, the unemployment rate was likely to remain high in the near term," said Tang Kwong-yin, a government economist.

The unemployment rate rose steadily in 1998 as the city's economy contracted by a record 5.1 percent. This year economists expect unemployment to rise as high as 6.5 percent or 7 percent.

Mr. Tang said many layoffs had occurred around the time of the Chinese New Year in mid-February, when companies traditionally review their books and lay off some workers after giving them year-end bonuses. Most of the newly unemployed were in the construction or restaurant industries, while joblessness

in the real-estate sector eased. A slowdown in the growth of unemployment in recent months proved only temporary, said Dong Tao, chief regional economist at Credit Suisse First Boston Ltd., "as service-industry businesses tried to keep going until the lunar new year, squeezing out every last dollar before closing or downsizing."

(AP, Bloomberg)

Cinema Blackout: A Protest Move

Faced with a flood of pirated movies, Hong Kong's approximately 75 cinemas will close Wednesday to protest their losses of money and jobs, The Associated Press reported.

The theaters said the one-day action would cost them 1.5 million Hong Kong dollars (\$192,000) but said they hoped that would be offset by increasing awareness of piracy's costs. Actors, directors, singers and other copyright-based industry members will join the protest by marching to government offices to demand action against violations of intellectual-property rights.

On Monday, Hyundai Oil Refinery Co. agreed to take over Hanwha Energy Co.'s oil refining division (Bloomberg, AFP)

The Democratic Republic of Congo Ministry of Finance and Budget**TENDER FOR THE SELECTION OF A PRE-SHIPMENT INSPECTION COMPANY**

The Government of the Democratic Republic of Congo invites sealed proposals from international reputable companies for the provision of PSI services covering imports.

Interested companies will be required to submit their bid in one original and five copies to the Conseil des Adjudications du Gouvernement c/o Direction des Marches Publics; avenue de l'Ouganda no. 4204, Gombe, Kinshasa in two separate sealed envelopes:

- Envelope "A" will contain technical data to be used for pre-qualification
- Envelope "B" will contain price proposals.

Tenders must be received at the above address before 5 May 1999 at 10:00 am, when public opening will take place.

Proposals should remain valid up to 5 July 1999. They must contain a Bid bond worth US Dollars \$50,000 or its equivalent in convertible currency, established in the name of the Ministry of Finance and Budget. The Bid bond is liable to forfeiture, should the Bidder choose to withdraw his/her bid between the time of the public bids opening and the expiry of the validity period, or fail to accept and sign the contract established in terms with his/her proposal by the Ministry of Finance and Budget.

Interested Companies can obtain a copy of the Request for Proposals, through a formal request on Company stationary signed by an authorized representative, from:

Conseil des Adjudications du Gouvernement c/o Direction des Marches Publics at the above address, upon payment of a non-refundable amount in Congolese Francs equivalent to US Dollars \$10,000, payable into the account of the Accountant; avenue des Huilleries no. 4404, (Cabinet du Ministre des Postes, Téléphones et Télécommunications), Gombe, Kinshasa.

For further information please contact the Office Congolais de Contrôle, 98 Av. du Port Kinshasa/Gombe, Fax: 243-1221974.

Korean Firms Urged to Cut Debt

Compiled by Our Staff From Dispatches

SEOUL — The central bank urged the government Monday to keep up its pressure on companies to sell off their unprofitable assets. The country's corporate debt is now almost twice the size of its economy, it reported.

Corporate debt totaled \$14.9 trillion won (\$660.9 billion) at the end of September, compared with the country's gross national product of 414 trillion won, the Bank of Korea said. GNP is the total output of goods and services in the economy.

The government has been pushing the country's big conglomerates, or chaebol, to

consolidate their core operations and sell unprofitable units.

But the chaebol have had trouble completing planned deals.

Ssangyong Group said last week that it and SK Group had reached an agreement in principle to transfer Ssangyong's 28.41 percent stake in Ssangyong Oil Refining Co. to SK. But Ssangyong said Monday that Santi Arabian Oil Co., a major shareholder, has not endorsed the sale. That could cause the transaction to collapse.

On Monday, Hyundai Oil Refinery Co. agreed to take over Hanwha Energy Co.'s oil refining division (Bloomberg, AFP)

Manila Officials Get Airline's Survival Plan

Compiled by Our Staff From Dispatches

MANILA — Philippine Airlines Inc., battling to keep Asia's oldest carrier flying, said Monday it had given regulators a revised rehabilitation plan that had the support of two-thirds of its creditors.

The new plan calls for a \$200 million cash injection that would give investors at least 90 percent ownership of the debt-strapped airline. As much as 60 percent of the fresh equity is to come from new financial investors, whom it did not identify.

The rehabilitation plan also calls for the sale of noncore assets including its maintenance and engineering division and the reduction of its fleet to 22 planes from 50. The airline plans to service 12 international and 17 domestic routes.

Perfecto Yasy Jr., the chairman of the Securities and Exchange Commission, said regulators would decide on the plan's viability by April 15.

Filing the rehabilitation plan is an important milestone for the airline, which ceased operations for several weeks last year because of labor unrest and massive losses. The losses, caused in part by Asia's financial crisis, have hampered its ability to pay off more than \$2.2 billion in debts.

Mr. Yasy said the main objective of the new plan, submitted 58 years to the day after Philippine Air's first flight, was to ensure the airline's survival, but it must also address concerns of creditors.

Analysts said the airline was unlikely to survive unless it found a foreign partner. Cathay Pacific Airways Ltd. of Hong Kong had been negotiating a stake but pulled out of talks in December, citing irreconcilable differences over management control and valuation of the carrier.

Philippine Air said last month its net loss in the nine months that ended Dec. 31 more than doubled, to 9.98 billion pesos (\$256.5 million) from 4.76 billion pesos a year earlier.

(Bloomberg, Reuters, AP)

SIA to Set Bid for Thai

Bloomberg News

SINGAPORE — Singapore Airlines Ltd. said Monday it would bid with Lufthansa AG for a stake in Thai Airways International PCL, shrugging off reports that Thailand might reject its offer.

The Thai government owns 90 percent of Thai Airways, and Thai law may rule out SIA's bid as a competitive threat.

"We are still going to make a proposal," said Cheong Choong Kong, chief executive of Singapore Airlines, known by the initials SIA.

Singapore Airlines said last April that it was looking to buy a 25 percent stake in Thai Airways. With cash reserves of 1.5 billion (\$865.6 million) to 2 billion Singapore dollars, SIA could tighten its hold on Southeast Asian air traffic with a Thai Airways stake.

Singapore's national carrier has been seeking stakes in other airlines, including China Airlines and South African Airways, as its Asian business has slowed. Its deal with China Airlines was called off in January. It has submitted a bid, also with Lufthansa as its partner, for South African Airways.

Mr. Cheong also said SIA was considering joining Star Alliance, the airline group that includes Lufthansa, Thai Airways and United Airlines, among others.

Very briefly:

• Hutchison Whampoa Ltd. of Hong Kong said it had no plans to seek a New York listing, but it declined to comment on market talk that it was raising cash for a major acquisition. Hutchison shares rose 2.50 Hong Kong dollars (32 cents) to 63 dollars on the reports.

• Malaysia's 1998 property sales posted their worst slide in five years, falling 43 percent from a year ago to 27.9 billion ringgit (\$7.34 billion), as business closures and fears of unemployment dampened demand.

• Thailand's revised agreement with the International Monetary Fund will be ready for cabinet approval March 23 and will include new stimulus measures to shore up the sagging economy.

• Malaysia's inflation rate rose 3.8 percent year-on-year in February, down from a rate of 5.2 percent in January.

• Cathay Pacific Airways, a week after posting its first net loss in 35 years, plans to cut the pay of about 600 pilots by about 8 percent this year.

Reuters, Bloomberg, AP

PICTET GIM MANAGEMENT
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Notice of Liquidation of Gim Fund

Unitholders are informed that Gim Fund has been put into liquidation as of 12th March 1999. The issuance and redemption of Units as well as calculation of the net asset value per Unit, have been suspended with effect as from 12th February 1999.

Following the liquidation procedure, net liquidation proceeds have been paid to the Unitholders in proportion to the number of Units held by each of them. Any amounts which cannot be distributed to Unitholders will be deposited in escrow with the Caisse des Consignations in Luxembourg.

The accounts and the records of Gim Fund will be deposited and kept for the period of five years at the offices of Banque Pictet (Luxembourg) S.A. 1, Boulevard Royal, L-2442 Luxembourg.

The Board of Directors of Pictet Gim Management (Luxembourg) S.A.

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Shareholders are invited to attend the

ANNUAL GENERAL MEETING OF SHAREHOLDERS

which will be held at 5, rue Plaetis, L-2338 Luxembourg on March 30, 1999 at 11:00 am.

AGENDA

- Approval of the Report of the Board of Directors and of the Auditor.
- Approval of the Financial Statements for the fiscal year ended December 31, 1998.
- Decision on allocation of net profits.
- Discharge of the Directors.
- Election of the Directors and re-appointment of the Auditor.
- Miscellaneous.

Note: All Shareholders are entitled to attend and vote and are entitled to appoint proxies to attend and vote instead of them. A proxy need not be a member of the Company. To be valid a Form of Proxy must be lodged with the Company at its registered office, 5, rue Plaetis, L-2338 Luxembourg, at least 48 hours before the time appointed for holding the meeting.

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LAFARGE: A sharp rise in income in 1998

World leader in construction materials, the Lafarge Group holds top-ranking positions in each of its divisions:

Cement, Aggregates & Concrete, Roofing, Gypsum and Specialty Products.

Active in 65 countries, Lafarge employs 65,500 people, generating sales of 9.8 billion euros (64.3 billion French francs). Through its commitment to the development of materials and the advancement of the construction industry, Lafarge brings greater safety, comfort and aesthetic appeal to our everyday lives.

+ 53 %

Sales

+ 63 %

Net operating income

► Internet: <http://www.lafarge.com>

The Board of Directors of Lafarge met on Tuesday, March 9, 1999 under the chairmanship of Bertrand COLLOMB, to close the accounts for the 1998 financial year.

PROMISING STRATEGIC DEVELOPMENTS

Looking beyond Redland, Lafarge continued to strengthen its worldwide positions in 1998. Taking advantage of the Asian crisis in particular, the Group was able to seize new opportunities for development, carrying out about FRF 12.2 billion (1.9 billion euros) of investments throughout the financial year.

In each of its divisions, Lafarge reinforced its positions:

■ Cement: acquisitions in Honduras, South Africa and the Philippines; interests purchased in Italy, the United States and Jordan, and acquisition of several industrial assets in Germany.

■ Aggregates & Concrete: acquisitions in North America and South Africa, joint-venture agreement in China.

■ Roofing: purchase of minority interests in Brazil, South Africa and Malaysia.

■ Gypsum: acquisitions in South Korea, where Lafarge has become leader on the gypsum wallboard market.

■ Specialty Products: in the United States, developments in lime and in the road marking sector.

<b

Clorox Is Cleaning Up With Fresher Ideas

But New Acquisition Poses a Major Test

By Dana Canedy
New York Times Service

OAKLAND, California — Three years ago, when consumers complained about the smell of its bleach, Clorox Co. cut the chlorine odor by adding floral scents — and helped increase its share of the American bleach market to a remarkable 60 percent.

Last year, after a competitor introduced a cleaning spray intended for daily use in the shower, Clorox unabashedly copied it — but used a clear bottle with pastel labeling, a contrast to the rival's industrial-looking container.

More appealing packaging, the company figured, would prompt consumers to leave the bottle near the shower instead of under the sink, increasing the likelihood that they would use it each day. The product, Tilex Fresh Shower, quickly became a big seller.

Clorox's stock has shot up 372 percent in the past five years, and 45 percent in the past year alone. That has far outpaced the market, outgunned industry giants such as Procter & Gamble Co. and Colgate-Palmolive Co. and proven to stock snobs that there is gold in the most everyday goods.

And this year? Well, it's time for Clorox to prove itself all over again.

In acquiring First Brands Corp. of Danbury, Connecticut — which makes familiar household products such as Glad bags, Scoop Away cat-box filter and the motor-oil additive STP — Clorox has bought a company that increases its size by almost 50 percent but that resembles the vapid Clorox that G. Craig Sullivan took over seven years ago.

Back then, Clorox, which competitors had mostly dismissed as knowing how to sell bleach but not much else, was stuck with a complacent management and a tired product line. Its profits were falling, and its stockholders were skittish.

Mr. Sullivan, who studied accounting, began his career by selling cake mix in Brooklyn for P&G and was hardly a golden boy. His own mother once suggested he might not make it in sales and urged him to consider a new line of work. Investors reacted to his appointment by knocking the stock down 5 percent in a single day.

They soon had a change of heart. First, Mr. Sullivan cut managers whom he judged to be out of step with the new marching orders. "When you've got 25 or 30 years of white-rat training, sometimes it's hard to change, so we just decided for them that maybe they ought to do something else," he said.

Half the management team left. Then he dumped unprofitable operations such as



bottled water and restaurant equipment, bought grime-fighting brands such as Lestoil, a cleaning product, and S.O.S. scrubbing pads that were more in line with Clorox's core business. And he stepped up marketing for existing brands such as Pine-Sol and Formula 409 cleaners.

The results have made the one-time Wall Street wallflower the life of the party: from the time that Mr. Sullivan took over through the end of last year, Clorox's revenue rose 76 percent, to \$2.7 billion. And its profit shot up 200 percent, to \$298 million. The company's market capitalization in that time rose from \$2.5 billion to \$10 billion. Clorox shares closed at \$125.50 on Friday on the New York Stock Exchange.

But with the purchase of First Brands for \$2 billion — a deal that closed in January — some investors are wondering whether Clorox has overextended itself. The deal, the largest in Clorox's 86-year history, increases its revenue to a projected \$3.95 billion.

Like the Clorox of old, First Brands has struggled with a number of stalled or fading products. Slowing retail sales resulted in disappointing earnings for the company last year.

Mr. Sullivan says he has the formula to keep things going, and it's pretty simple: Execute. Freshen old brands, extend product lines, improve advertising, squeeze costs.

He intends to maximize the First Brands investment, for example, by steadily adding new

features to Glad bags and wraps, much as diaper makers do to their products, and extending the brand name to entirely different products that will probably hit store shelves next year. He declined to discuss details on that.

Mr. Sullivan has been there before, tinkering with even well-respected brands to unleash their potential.

When the company bought Armor All Products Corp. two years ago, it saw unrealized promise in a product called Flash Black, a clear liquid in a black bottle that is used to shine tires.

To emphasize the gloss potential that Flash Black was supposed to deliver, Clorox repackaged it in a clear bottle and changed the name to Extreme Tire Shine. It was minor tweaking, but it "essentially doubled the business," said Derrick Gordon, a group marketing manager in Clorox's auto products division.

One of Clorox's ad agencies, DDB Needham San Francisco, came up with fresh ads. Spots for a car wax that the company is introducing under the Armor All name clearly have youthful testosterone in mind.

They use hip music and a sporty car to depict what looks like a party at a car wash.

Using the tag line "stay a little longer," the commercials feature a model with a come-hither pose who borrows the sports car's rear-view mirror to apply red lipstick.

Since it is obvious that she has no intention of



Pat R. Corrigan/The New York Times

Clorox, which also makes insecticides, rears bugs for research. Vincent Alvarez, right, the director, has a cockroach under study.

scrubbing the tires, the implication seems to be that Armor All will not only produce a lasting shine; it just might help you find a date.

About 80 percent of Clorox's revenue and profit come from the United States; in contrast, about 80 percent of Colgate-Palmolive's business is overseas.

Clorox is seeking to increase its relatively tiny international presence, but with the economic outlook uncertain in much of the world, that effort carries its own risks.

Moreover, at 38 times forward earnings, Clorox's stock is trading at a multiple more typical of technology stocks such as Intel Corp. or Microsoft Corp., than of a maker of toilet cleaners.

Some investors, while still bullish on Clorox's management and strategy, have begun to dump the stock because the price has become so high.

Stephen Yackman, vice president of Yackman Asset Management in Chicago, which has owned the stock at a price/earnings multiple of 7 before income, depreciation and amortization. With that measure now at 20, he said, "the big upside from that is not going to be there." He is still a Clorox fan but has sold some of his shares.

Even so, many analysts remain optimistic about the stock's growth potential. "This company finds new niches and finds that consumer whose need is not being met," said Carole Warner of Prudential Securities. "They own the 'cleaning aisle.'"

Weak Sales Delay IPO By Dragon

By Diana B. Henriques
New York Times Service

NEW YORK — Dragon Systems, a company that makes voice-recognition software, has postponed its stock-market debut until at least next month after unexpectedly anemic sales in the fourth quarter of 1998.

Dragon Software, which is based in Newton, Massachusetts, had expected to sell a minority stake to the public this week. Potential investors had been relying on its financial statements for the first nine months of 1998, although Dragon warned that the fourth-quarter selling season was its most important.

Dragon Software, which is based in Newton, Massachusetts, had expected to sell a minority stake to the public this week. Potential investors had been relying on its financial statements for the first nine months of 1998, although Dragon warned that the fourth-quarter selling season was its most important.

When full-year numbers were tallied, they showed that sales had inched up only slightly in the fourth quarter, to \$21.8 million from \$20.7 million in the third quarter. By contrast, revenue in the fourth quarter of 1997 was more than twice that for the third quarter of that year.

Net income in the fourth quarter dropped to \$1.6 million from \$7.6 million in the third quarter.

Revenue for the year was \$71.4 million, compared with 1997 revenue of \$26.8 million. And after several years of red ink, Dragon posted a profit of \$1.03 million, reversing a loss of \$5.3 million for 1997.

Nevertheless, when surprises crop up, underwriters typically seek more time to explain them to potential institutional investors.

A Dragon representative refused to comment on the disappointing quarter, citing Securities and Exchange Commission restrictions in the face of a pending stock offering.

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Australia's Blueprint Could Help the Rest of Asia Build a Recovery

By Michael Richardson
International Herald Tribune

SYDNEY — A decade ago, Australia was dismissed by some Asian officials as the laggard of the Asia-Pacific region as its economy threatened to sink in a morass of crony capitalist deals and corporate takeovers gone wrong.

Instead, the lessons learned have helped insulate Australia from East Asia's financial turmoil, foreign officials and analysts say, and the prescriptions helped point Australia to the painful path the region must follow if it is to recover.

Buoyed by low inflation and interest rates and strong consumer demand, the third-largest economy in the Western Pacific after Japan and China has thrived amid the Asian crisis.

Australia's gross domestic product — its total output of goods and services — rose 4.7 percent in 1998, the fastest expansion since 1994, official figures show. Reflecting that optimism, Australian stocks closed Monday at a record level for the third straight trading day. The benchmark All Ordinaries index rose nearly 1 percent, to 2,989.5 points.

A year ago, many economists expected that recession in East Asia, which absorbed two-thirds of Australia's exports in 1997, would hit Australia hard, especially because most of its exports consisted of commodities whose prices had tumbled.

There are weak spots in the economy, including a gaping trade deficit; however, manufacturing and business confidence is generally high, and unemployment has fallen to 7.5 percent of the work force, its lowest in eight years, amid expectations of continued growth.

"Australia has come through the Asian economic crisis in much better shape than was generally expected," said Don Stammer, director of investment strategy at Deutsche Australia Ltd.

Despite adverse external circumstances, Australia has been able to sustain its growth because of a successful drive to diversify exports away from Asia to more buoyant areas; unexpectedly strong domestic demand in the Australian economy itself; and the stimulating effect of reforms begun in the mid-1980s that have promoted competition while preventing abuses, analysts said.

Those changes include tariff cuts, a



A woman shopping for hats in Sydney. Strong domestic demand has helped support the Australian economy.

floating exchange rate, privatization of state-owned enterprises and better corporate and financial supervision.

David Hale, chief global strategist for the Zurich financial-services group in Chicago and a frequent visitor to Australia, ascribed the buoyancy of the Australian economy to several factors:

• Improvement in bank supervision after a boom-bust lending cycle in the 1980s, when deregulation encouraged foreign banks to enter the market for the first time and engage in a reckless battle for market share, with many of the loans going to finance property speculation and corporate raiders.

• A floating exchange rate that discouraged Australian companies from borrowing heavily in foreign currencies, unless they also had matching offshore income.

• Significant liberalization of trade and industrial relations.

• These structural changes have made Australia's economy far more flexible in

coping with external shocks," Mr. Hale said. "In retrospect, the Australian experience of the 1980s was a forerunner of the banking excesses which set the stage for the Asian crisis of the late 1990s."

At the end of a recent visit to Australia, Prime Minister Goh Chok Tong of Singapore said East Asia could learn from the Australian experience that "good governance, and good corporate governance, are critical."

Comparing developments in Asia and Australia today to the situation five years ago when he was last here, Mr. Goh likened them to the proverbial race between the hare and the tortoise.

"To be frank, my assessment then was that Asia was going to gallop away and Australia would be lucky to grow at 2 percent or 3 percent," he said, adding that it was now clear that Australia was winning the race because it had a good record of putting sound policies in place,

"whereas in many parts of Asia we were concentrating on fast growth but for-

getting the fundamentals."

Low interest rates have fostered the consumer spending that has powered Australia's economic expansion. The government of Prime Minister John Howard, re-elected in October to a second three-year term, has swung the budget from chronic deficit to surplus, setting the stage for lower rates.

Home-loan rates, at about 6.5 percent, are the lowest in 30 years, giving people more money to spend after they have made their mortgage payments.

"The economy is being driven by strong domestic demand," said Rob Henderson, chief economist at Dresdner Kleinwort Benson Securities. "We're in a very similar situation to the United States, with strong growth and low inflation."

But analysts cautioned that if Asia failed to recover in the next couple of years, or if other major markets for Australian exports softened significantly, the decline in Australian industries based on trade and natural resources

Sydney Markets Ready to Merge

Bloomberg News

SYDNEY — Five years ago, the Australian Stock Exchange and Sydney Futures Exchange were in court arguing about exclusive trading rights. Now they are planning to merge.

Rapid changes in trading patterns on global financial markets mean that exchanges can no longer afford to confine themselves to servicing individual countries or even regions.

"The new competition for financial markets is not domestic but global,"

Ken Farrow, managing director of the Australian Financial Markets Association, said Monday; so, combining the operations of the Australian exchanges, two of the biggest in the region, is a "logical step," he said.

Members of the Sydney Futures Exchange traded almost 30 million contracts valued at more than 10 trillion Australian dollars (\$6.4 trillion) in 1998, making it the 10th-largest futures exchange in the world. Trading on the Australian Stock Exchange totaled 245 billion dollars in the year that ended June 30, 1998, making it

the 12th-largest equities market in the world.

In comparison, the Hong Kong Stock Exchange has a value equal to 236 billion Australian dollars, and the Tokyo Stock Exchange, 2.1 trillion dollars. The New York Stock Exchange is the world's largest stock market, with a value equal to 11.6 trillion Australian dollars.

Other exchanges are making similar moves. "It's about getting the biggest number of eyeballs on your screen," said Bill Marynissen, executive director and head of futures at Macquarie Bank Ltd.

"The whole financial-services industry is about scale. One could do the job much better than two," said Peter Forbes, executive general manager for equities at Queensland Investment Corp. in Brisbane, which manages 3 billion dollars of Australian equities.

A successful merger would incorporate the New Zealand Futures Exchange, owned by the Sydney exchange, and this would put pressure on the New Zealand Stock Exchange to join as well.

the United States and the European Union, may become increasingly difficult as trade barriers rise, analysts said.

"Australia has adjusted remarkably well to the direct effect of Asia on our exports, but that does not mean we have escaped unharmed," said Ed Sham, a director of Access Economics, a consultancy in Melbourne. "The full effect of slower world growth on commodity prices, commodity export volumes and resource investment is yet to come."

Some analysts say the downturn for Australia is already starting to bite. Mr. Subbaraman said he expected Australia's GDP growth to slow sharply to below 2 percent this year. The government is forecasting growth of 3.2 percent in the year ending in June and 2.75 percent in the ensuing 12 months.

"To come through a situation where the region is in recession, then to have growth slowing to 3 percent, would still be a fantastic achievement," said Peter Costello, Australia's treasurer.

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SPORTS

Southwest Missouri Clobbers Tennessee

Coach Chest-Bumps Team to the Round of 16

By Robyn Norwood
Los Angeles Times Service

CHARLOTTE, North Carolina — Steve Alford walked the Southwest Missouri State sideline with such perfect composure and self assurance, you almost forgot it seems like yesterday he was playing for Indiana.

Then Allen Phillips found Ron Brunton with an alley-oop pass, Southwest Missouri State suddenly led by 23 points, Tennessee called time out, and Alford crashed into Phillips on the court with a chest-bump.

A chest-bump? You don't often see coaches doing that.

"I was shocked to hear more coaches don't chest-bump," Alford said.

Only a dozen years after he won the 1987 NCAA title as a player, Alford is on his way to the Sweet 16 as a coach after No. 12-seeded Southwest Missouri State's 81-51 demolition of No. 4-seeded Tennessee on Sunday in the second round of the NCAA East Regional. His team plays top-seeded Duke on Friday.

Southwest Missouri State knocked off a Big Ten team — No. 5-seeded Wisconsin — in the first round, then pushed aside a Southeastern Conference team Sunday.

The confident Bears played as if it were routine.

"I knew this would be a tough fight," forward Ken Stringer said. "I felt we would win, but not by 20."

Stringer helped get the ball rolling for the Bears at the end of the first half when he nearly lost the ball, got it back and banked in a 3-point shot just before the buzzer for a 36-26 halftime lead.

A 22-7 run at the start of the second half punctuated by Brunton's dunk and all that chest-bumping turned it into Southwest Missouri State's ballgame. Tennessee was never closer than 20 points again.

"The pressure was on them," said Phillips, who scored eight points off the

bench and made two 3-point shots. "They were supposed to beat us. We were the underdogs." He said the coach "told us to go out and play our hearts out."

Southwest Missouri State's defense helped hold Wisconsin to 32 points and 25.5 percent shooting in the first round, and Tennessee to 29.5 percent.

"Today they were an awfully good team and we weren't," said Jerry Green, the Tennessee coach.

Southwest Missouri State made almost 52 percent of its shots, and center Danny Moore led the way with 25 points, making eight of 14 shots after Tennessee made a questionable decision not to double-team him.

Alford, a coach who mixes discipline with fun, said the week of preparing to play Duke would be fun.

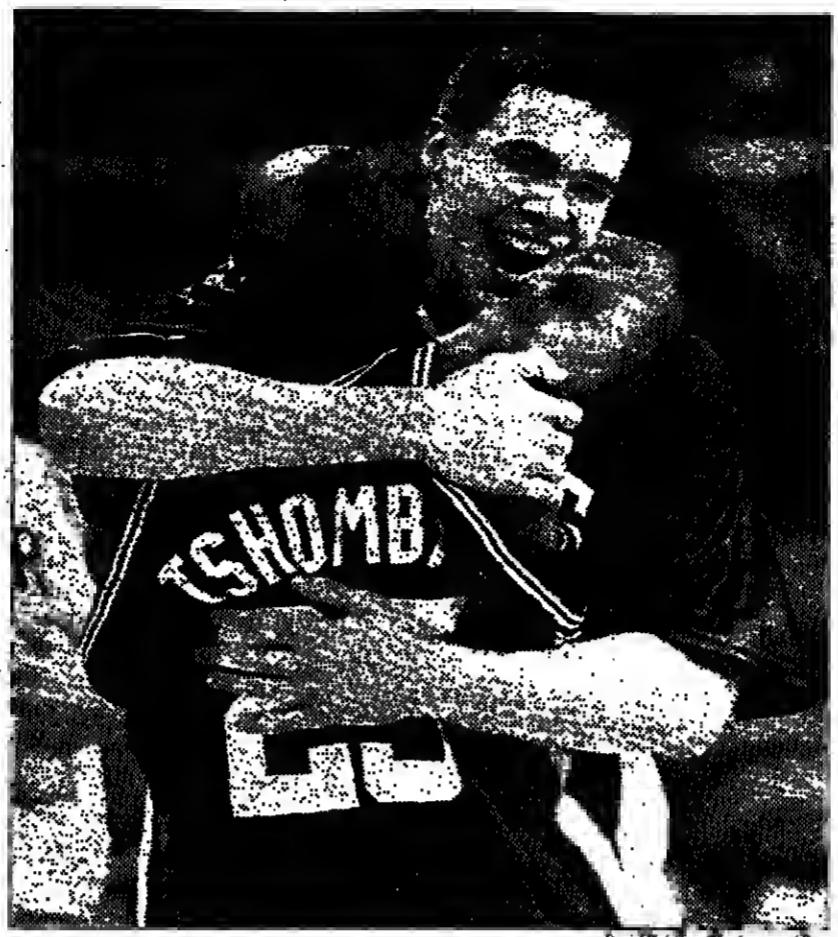
"We're going to play a lot of whiffle ball," he said. "Life goes by so quickly. The games go by so quickly. We want to enjoy this time. We're not above or below enjoying ourselves out there."

In the two East Region games in Boston, The Washington Post reported:

Second-seeded Miami and third-seeded Cincinnati, the teams that entered the first round of the NCAA tournament's East Region with intimidating reputations, were eliminated in the second round by a pair of underdogs who refused to be sent away scared.

Purdue 73, Miami 68 Junior forward Brian Cardinal had 20 points and six rebounds and senior guard Alan Eldridge added 12 points and an outstanding defensive effort in leading 10th-seeded Purdue to victory over Miami.

Purdue, which lost five of six games before the tournament and, according to coach Gene Keady, had some attitude problems during the second half of the season, was outrebounded 45-29 and allowed Miami to take 76 shots to Purdue's 38. But the Boilermakers scored the final 15 points of the first half for a 32-17 lead and scored their final 19



Southwest Missouri's Danny Moore hugging teammate Butch Tshomba.

points from the free throw line over the game's closing 7 minutes 34 seconds.

Cardinal said the Boilermakers went into the tournament relaxed because of their late-season problems and stayed that way against a team whose Big East season included victories over highly regarded St. John's (twice), Connecticut and Syracuse.

Purdue 64, Cincinnati 54 Junior forward Lamont Barnes scored 15 points and reserve junior guard Quincy Wadley provided an outside spark with 14 points, including four 3-pointers, enabling sixth-seeded Temple to eliminate Cincinnati.

Temple and Purdue will meet in the round of 16 Friday at the Meadowlands in New Jersey.

The Owls put their strength — a tight matchup zone defense — against Cincinnati's weakness — little ability to

shoot from outside.

Temple took control with a 23-7 run that began with reserve center Ron Rollerson's only basket with 13:49 remaining in the first half and ended with a 3-point basket from the right corner by Wadley with 2:40 to go before halftime for a 29-13 lead.

Cincinnati, which was making its eighth straight tournament appearance and in November became the only team in the nation to defeat top-ranked Duke this season, was eliminated in the second round for the third consecutive year.

In a game reported in late editions Monday:

Duke 97, Tulane 56 The Blue Devils, the top-ranked team, became the first team to win back-to-back NCAA tournament games by at least 40 points, with another methodical annihilation of an overmatched team.

Temple 64, Cincinnati 54 Junior forward Lamont Barnes scored 15 points and reserve junior guard Quincy Wadley provided an outside spark with 14 points, including four 3-pointers, enabling sixth-seeded Temple to eliminate Cincinnati.

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The Owls put their strength — a tight

matchup zone defense — against Cincinnati's weakness — little ability to

Wally's Heroics Propel Miami Past Utah, 66-58

By Lee Feinberg
Washington Post

Kentucky 52, Kansas 55 The Wildcats, the defending national champion, were close to joining Utah, Stanford and North Carolina on the sideline. They trailed by five points with 1 minute 29 seconds left in regulation. But senior forward Scott Padgett tied the score at 79 by making a three-pointer from the top of the key with 20 seconds left, and Kansas's Kenny Gregory badly missed an 8-footer from along the right baseline.

Padgett, who finished with a career-high 29 points, then scored seven points in the extra period. "We feel like we've got something to defend and we want to end our careers on a high note and I think we just sort of willed ourselves to the win," Padgett said.

Ryan Robertson, a senior guard who led Kansas with a career-high 31 points, said: "They're not national champions for nothing."

Trailing 79-76, Kentucky's Wayne Turner saw an opening from the left side, drove and then missed a layup. "We had the three-point lead and I was so happy when he started driving because we didn't want them to shoot a 3-point shot," Williams said. But the rebound of Turner's shot went to teammate Jamal Magloire. He fired it out to Padgett, who caught the ball at the top of the key, waited for Gregory to run past him, then stepped back beyond the 3-point line for the tying shot.

In the other Midwest regional games, in Milwaukee, The Associated Press reported:

Oklahoma 85, NC-Charlotte 72 Eric Martin made six 3-pointers as the Sooners, who upset Arizona in the opening round, became only the third No. 13 seed in tournament history to reach the regional semis.

"Being a 13th seed, I'm sure a lot of teams looked over us," Martin said. "We've beaten great teams all year, and still no respect. But it comes down to just playing ball, no matter whether you're a 13 seed or a 16 seed."

Michigan St. 74, Mississippi 54 Mateen Cleaves scored 18 points, including seven during a late 13-0 run that carried the Spartans, the top seed in the Midwest, to their 20th straight victory.

Coach of Nets Is Reportedly Fired After 3-17 Start

The Associated Press

Monday was a day of uncertainty for the two NBA coaches in the New York metropolitan area. When it ended, it appeared that John Calipari of the Nets was in big trouble and Jeff Van Gundy of the Knicks was not.

Citing unidentified sources, ESPN,

NBA ROUNDUP

the sports cable TV network, reported Monday that Calipari had been fired.

Calipari is in trouble for his team's 3-17 start, and after the Nets lost again Sunday — a 26-point defeat in Miami — he met for 34 minutes with Nets owners Finn Wentworth and Lewis Katz, who had huddled with the team's president during the game to discuss Calipari's status.

Calipari emerged saying the owners just wanted to know where things go from here. But the coach did not accompany the team to Toronto, which did not bode well for his future.

Asked if he had received a vote of

confidence, Calipari said: "No. I hate votes of confidence. Votes of confidence are ugly."

Calipari has two years and \$6 million remaining on his contract.

There have been reports in New York that the Nets have already contacted former Chicago Bulls coach Phil Jackson about taking over the helm.

Net spokesman Matt Davey said Monday that Calipari was still expected to be on the bench for Tuesday's game.

Van Gundy, meanwhile, was watching the Nets-Heat game when NBC mentioned it would have some Van Gundy news when it returned from commercial. Van Gundy stayed tuned and heard that he would be fired if the Knicks were to lose to the Charlotte Hornets.

Several hours later, his team beat Charlotte 94-86.

"There was no truth to it, it was ridiculous and I'm not going to dignify it with any more comment," New York general manager Ernie Grunfeld said.

Knicks 94, Hornets 88 In New York, Larry Johnson scored 19 points, Latrell

Sprewell had 16, Chris Dudley had his best game of the season with seven points and 13 rebounds and the Knicks closed the game with a 13-5 run.

Allan Houston led New York with 20 points, although he did not score in the fourth quarter. It was just the fourth victory in the last 10 games for the Knicks, whose mediocre start has been marked by an alarming lack of effort and a series of late-game flops.

Kings 105, Lakers 101 In Sacramento, Allan Williams scored 21 points as the Kings ended the Lakers' 10-game winning streak in Los Angeles' first game since Dennis Rodman was granted an indefinite leave of absence for unspecified personal reasons.

Despite 33 points by Shaquille O'Neal and 29 by Kobe Bryant, including 10 in the final period, the Lakers lost for their first time since Kurt Rambis took over as coach from Del Harris in late February. Rambis had tied an NBA record by winning his first nine games.

"That's no excuse," Rambis said of Rodman's absence. "That has nothing

to do with us not winning."

SuperSonics 106, Clippers 88 Seattle's Vin Baker had 23 points and eight rebounds and Gary Payton added 28 points and 11 assists as the SuperSonics shot a season-high 57 percent against visiting Los Angeles.

Wizards 98, Bucks 86 In Washington, Mitch Richmond scored 23 points and the Wizards handed the Bucks their most lopsided defeat of the season.

The Bucks have lost two straight after a six-game winning streak, with both losses coming after a series of trades that sent the starting point guard Terrell Brandon to Minnesota and a starting forward, Tyrone Hill, to Philadelphia.

Suns 104, Rockets 99 In Phoenix, Jason Kidd recorded his fifth triple-double of the season with 26 points, 11 rebounds and 14 assists as the Suns rallied from a 12-point deficit to beat Houston.

Hawks 85, Pistons 72 Steve Smith scored 22 and Mookie Blaylock had 18 on 5-of-9 shooting from 3-point range as Atlanta won in Detroit.

For Philadelphia, a Tie Game With Dallas Is Less Than Stellar

The Associated Press

Holding the dangerous Dallas Stars to tie usually can be considered good night. It wasn't for the Philadelphia Flyers.

"We don't need to tie, we need to win," said Eric Lindros, the Flyers'

NHL ROUNDUP

The Flyers have lost two straight after a six-game winning streak, with both losses coming after a series of trades that sent the starting point guard Terrell Brandon to Minnesota and a starting forward, Tyrone Hill, to Philadelphia.

Rangers 3, Islanders 2 Adam Graves's 40-foot shot with 54.7 seconds left in overtime lifted the visiting Rangers over their New York rival. The Rangers won for the first time in three games as Dan Cloherty, making his first start since Feb. 22, stopped 30 shots.

Blues 5, Blackhawks 2 Pavol Demitra scored twice in a three-goal St. Louis flurry in the first period to reach the 30-goal level for the first time as St. Louis won in Chicago.

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